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FOOD-FOR-PEACE

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Food has long been an important instrument of American foreign policy. Early efforts in this line were aimed primarily at providing relief after wars and natural calamities. But during the last decade, food has been used as a tool of economic development. This article discusses the history of Food-for-Peace, experience with that concept in recent years, and prospects for the future.

HISTORY

The idea of using food to promote peace goes back to World War I. About 10 million persons were saved from starvation by American shipment of foodstuffs during and after the invasion of Belgium and Northern France by Germany.

Following World War I, when war-ravaged European countries were faced with famine, the United States helped feed some 200 million people. In 1919 harvest was favorable in Western Europe and the food situation eased.

Attention was then turned to feeding 10 million undernourished children in East Central Europe. When famine broke out in Russia in 1921, food and medical supplies were rushed from the United States to provide relief. During one decade (1914-24) about 34 million metric tons of American food and supplies worth $5.2 billion were delivered to 23 countries.

The United Nations Relief and Rehabilitation Administration (UNRRA) handled most food distribution and relief for the allies during World War II and immediately thereafter. In addition, voluntary agencies in the United States, Lutheran World Relief, Catholic Relief Service, CARE, and others did an excellent job in distributing American food abroad.

Under the Marshall Plan, food and feed valued at $2,994 million were shipped to needy countries. Important recipients were: United Kingdom, $871 million; Germany, $499 million; Benelux, $434 million; Austria, $263 million; France, $230 million; and Italy, $220 million.

The Marshall Plan aimed to promote economic recovery of European countries through regional cooperation—it was extraordinarily successful. The performance in Germany was miraculous. With the external assistance provided in the Marshall Plan the index of total agricultural output for human consumption in Germany increased from 60 in 1947-48 (prewar = 100) to 106 in 1950-51. Industrial production increased by 312 percent from 1947 to 1951.

In 1951 a $150 million loan was granted to India under the Emergency Aid to India Act. This loan was used to purchase food to meet the crisis resulting from floods and droughts.

Again, in 1953, a grant of 1 million tons of wheat was made to Pakistan. Of this, 700,000 tons were for famine relief distribution and 300,000 tons were set up as a reserve for future relief.

The great landmark in the history of the Food-for-Peace idea was the passage of the Agricultural Trade Development and Assistance Act of 1954, better known as PL 480. The Act authorized three types of special government programs:

Title I. *Sale of U.S. surplus farm products for foreign currencies.*

Title II. *Donations of surplus farm products to foreign governments for disaster relief and other assistance; grants of commodities to promote economic and community development.*

Title III. *Donation of surplus food to voluntary agencies for distribution; barter of U.S. agricultural surpluses for foreign-produced strategic and critical materials needed for stockpiling or government use.*

In 1959 this law was amended to include Title IV which provides long term dollar credits to facilitate foreign buying of U.S. farm products.

During the first 10 years of PL 480 operation (1954-64), commodities valued at $12,248 million were shipped. Shipments under PL 480 accounted for 27 percent of total agricultural exports during this period.

Since the start of PL 480, agreements with a total market value of $9,947 million have been entered into under Title I. A breakdown of the commodities covered by these agreements is presented in the table below.

As noted above, Title I provides for the sale of surplus farm products for foreign currencies. Foreign currencies that accumulate in the U.S. Treasury may be utilized for specified purposes, including:

- Loans to foreign governments for economic development.
- Grants to foreign governments for economic development.
- Common defense.
- Loans to private enterprise.
- Market development for agricultural commodities.
- U.S. agency uses (for example, the maintenance of U. S. embassies).

Under Title II of PL 480, surplus commodities held in stock by the Commodity Credit Corporation are used for famine relief and other assistance. Emergency assistance is given to friendly countries and to friendly people, without regard to the friendliness of their government. Through June 30, 1964, $1,725 million were al-

Commodity composition of all agreements signed, PL 480 Title I, July 1954 through June 1964

Commodity	Value at U. S. export prices
	million dollars
Wheat and wheat flour	5,017
Cotton	1,289
Fats and oils	1,015
Feed grains	518
Rice	510
Tobacco	317
Dairy products	123
Others	78
Total	8,867
Ocean freight	1,080
Total, including ocean freight	9,947

located under this Title for the following purposes:

	thousand dollars
Disaster relief	804,305
Child feeding	165,169
Refugees	135,175
Voluntary agencies	22,617
Economic development	291,896
Other	306,037

Title III provides for two kinds of programs:

1. The donation of surplus food to designated agencies for use in the United States in nonprofit school lunch programs, summer camps for children, etc., and donations to accredited nonprofit voluntary relief agencies and intergovernmental organizations for distribution in foreign countries.

2. Barter of surplus commodities for strategic and other materials, goods, and equipment.

Through June 30, 1964, 20,168 million pounds of commodities valued at $2,429 million were distributed abroad by voluntary agencies under this Title.

Foreign countries received agricultural commodities valued at $1,719 million under the barter program from July 1, 1954 through June 30, 1964. As a result, stockpile and supply materials valued at $1,609 million have been delivered to the United States by barter contractors.

PERFORMANCE

As stated in PL 480, "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 to foster in other ways the foreign policy of the United States."

The most important use of foreign currencies has been encouragement of economic development in recipient countries. About 62 percent of the foreign currencies received under PL 480 have been designated for use as loans and grants to foreign governments. These loans and grants are made to finance development of some sector or area of the recipient country's economy such as industry, mining, agriculture, transportation, health and sanitation, education, or community development.

Usually the most important contribution of PL 480 is the receipt of the commodities themselves. To a developing country, receipt of food and fiber products under PL 480 is equivalent to receipt of productive resources free of charge. Such resources can avert famine or reduce hunger—situations that otherwise would cost the country scarce foreign exchange to buy food or "cost" it the lives of its people.

Or such food and fiber supplies may be integrated into a national plan of development. Thereby, the country again is saved from using scarce foreign exchange to buy supplies to sustain the development process. Or, it is saved from inflation which would otherwise erode away any real income gains. This is the way that PL 480 imports are often used. They are integrated into the national development process and, therefore, sustain a higher rate of economic development than otherwise would have been possible.

In other cases the imported food "finances" particular projects. In Morocco, tribes lead a nomadic life and hold land in common. But the land is stony and not suitable for cultivation. A program has been started under which a person is paid 14 ounces of American wheat per day for picking stones from tribal land. As a result, workers receive badly needed food, and the cleared land is more suitable for cultivation.

In Tunisia a work program, primarily concerned with water and soil conservation, has been underway since 1958. A substantial part of the workers' wages (about 70 cents a day) is paid in U. S. grain; the remainder is in cash from resources provided by the Tunisian government.

In East Pakistan, food aid under PL 480 has been used with outstanding success to finance and support a public works program of road and irrigation construction. At first food was distributed to people working on projects. Now, workers are being paid in cash appropriated by the East Pakistan government, but the worker can purchase the imported food at local stores. The PL 480 food still "finances" the program but it is now being distributed through the market rather than in kind.

Strengthening the defense of and fostering understanding among free nations have been major objectives of U. S. policy. In order to pursue these objectives, PL 480 moneys are spent for defense purposes and the maintenance of U.S. installations abroad.

Educational efforts involving an educational exchange and schools and educational centers in other countries are supported with PL 480 moneys. Workshops and professorships in American studies have been established in foreign universities. Books and periodicals are translated and foreign publications are acquired, indexed, and disseminated. These activities create goodwill for America around the world.

Activities under PL 480 also help expand the foreign demand for U. S. agricultural commodities by: (1) promoting economic development in the countries receiving food aid, and (2) programs aimed at extending markets and/or creating new markets in industrially advanced countries.

Development activities have helped some countries (Japan, Italy, and Spain) to "graduate" from "soft" currency to "hard" currency—that is, to become real commercial markets. By law at least 5 percent of the currencies accumulating under Title I must be used "to develop new markets for U. S. agricultural commodities on a mutually benefitting basis."

Four types of market development programs have been undertaken: (1) cooperative programs with trade and agricultural groups, (2) trade fair activities, (3) marketing research, and (4) utilization research.

Cooperative Programs—These programs are carried on with the cooperation of the group most directly concerned with exporting a given commodity. The U. S. Department of Agriculture assists with foreign currencies and general guidance. The cooperating group provides additional funds, personnel services, and supplies or equipment.

Techniques used include surveys and studies of market potentials and needs, advertising campaigns, promotional contests, exhibits, motion pictures, studies of consumer demand, cooking demonstrations, and school lunch assistance.

Trade Fair Activities—From the enactment of PL 480 up to December 31, 1963, American food and fiber products

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were exhibited before more than 51 million people in 32 countries.

Marketing Research—USDA makes grants to foreign institutions for marketing research.

Utilization Research—Grants are made to institutions abroad engaged in research leading to new or improved uses for U. S. agricultural commodities. Some accomplishments of this research include the development of special finishes to reduce inflammability of cotton and the treatment of colored leather to increase its resistance to deterioration.

Various market development activities have increased the export of U. S. agricultural produce to foreign countries. New markets for dollar exports have been developed for poultry in Germany and for fats, oils, and wheat in Japan. Export of poultry meat to West Germany rose to $42 million in 1962 from a low of $1½ million in 1956. The export of U. S. feed grains has also increased considerably.

PROSPECTS

Most underdeveloped countries, particularly those in Southeastern Asia, have a surplus of population living and working on the land. Worker productivity is low in these countries; per capita income in some countries is as low as $54 per annum.

The economies of these countries can be set on the path of development if the surplus people on the land are put to work on development projects—irrigation projects, construction of roads and needed public buildings, and industrial enterprises. However, providing food and clothing to the workers and families transferred from the land is a problem.

It is sometimes argued that these people ate and wore clothes when they worked in agriculture so an equivalent amount of food could be taxed away from those remaining on the land to pay the transferred workers.

But this step is beset with many difficulties. The level of living among people on the land is so low that they tend to consume whatever extra becomes available. The additional food which might be made available by transfer of workers to development projects is gobbled up by those remaining on the land. It has been estimated, for example, that in India 60 percent of all families fall short of the desired level of 2,500 Calories per person per day.

Further, the surplus labor employed on development projects require increased amounts of food in order to work productively.

Here then is a food gap which must be filled if these countries are to launch a program of economic development. This is where PL 480 can contribute to economic development in less developed countries. This developmental role for food probably will expand as the drive for improved living is intensified in these countries.

Some countries are striving hard to develop their economies through a planned program of economic development. Increased food production has a high priority in most of these plans. But even with the best efforts to develop agriculture, the food problem probably will not be solved in the immediate future.

Due to better public health and medical facilities (which are an integral part of most development plans) the death rate goes down. But the level of living typically does not rise sufficiently for a family to begin thinking in terms of its individual "standard of living" and, therefore, to start planning the size of the family. Family planning takes time.

Meanwhile, the up surge in population washes away whatever progress otherwise would have been achieved. However, this does not mean that these countries should be left as they are—to sink back in despair. If they can be helped through the early development period, the poverty and misery of two-thirds of the world can be greatly alleviated. Foreign food aid through PL 480 can and should be an imporant part of that assistance.

Two further points should be clear with respect to loans and grants made to foreign governments for economic development. First, the pace of utilization of such allocated funds has been slow. Of the funds allocated for loans to foreign governments through June 30, 1963, only about 48 percent has been actually disbursed. In the case of grants the picture is more bleak. Only about 30 percent of the funds allocated for grants for economic development as of June 30, 1963 has been utilized.

Second, recipient countries tend to look at PL 480 as a shortrun measure adopted by the United States to get rid of farm surpluses. This outlook is corroborated by the fact that when the surpluses are unavailable, the program becomes inactive. This has been the case at times for dairy products.

So long as recipient countries are uncertain about the duration of food aid, such food aid does not get effectively integrated into their development plans. Country agreements should be formulated for several years' duration. And the United States should use the leverage of food aid to require recipient countries to take needed action for supporting and pressing their development programs.

CONCLUSION

Food-for-Peace has to its credit the lessening of famine and hunger in many parts of the world, the provision of resources for economic development of underdeveloped countries, and the finding of new markets for U. S. farm products.

On the debit side, the program has not realized its potential in promoting economic development. Now is the time for reviewing, appraising, and recasting the program so that it can most effectively help to lift the world out of poverty.

RECENT PUBLICATIONS

Beef Futures Trading. Agricultural Economics Fact Sheet No. 3. Dale C. Dahl and Kenneth E. Egertson. 2 pages.

Income-Improving Adjustment Alternatives on Grade A Dairy Farms in Minnesota. Sta. Bull. 473. W. B. Sundquist and James Holt. 28 pages.

Consumer Use of Turkey. Sta. Bull. 474. James F. Richards, Carroll V. Hess, and Milo H. Swanson. 16 pages.

Economics of Supplemental Irrigation in Central Minnesota. Sta. Bull. 475. Roger B. Long and Philip M. Raup. 32 pages.

Income Tax Management for Farmers. Ext. Bull. 298 (revised). 12 pages.

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the outlook corner

Agricultural Exports

Reynold P. Dahl

The largest share of U.S. agricultural exports is commercial sales for dollars. Farm exports in the year ending June 30, 1964 reached an alltime record of $6.1 billion. Sales for dollars were $4.5 billion—about three-fourths of the total. The other $1.6 billion were exported under government programs—mostly Food-for-Peace.

As shown in the table, U.S. agricultural exports nearly doubled in the 10 year period 1955-64. Exports under government programs were constant at a yearly rate of $1.6 billion during the past 4 years.

Farm exports for dollars increased a record $1 billion from 1963 to 1964, due in part to several developments in foreign markets. Poor wheat harvests in Western Europe and the Soviet Union permitted larger U.S. wheat exports to these areas. The United States sold 65 million bushels of wheat to the Soviet Union for dollars during the past fiscal year.

Export sales for dollars are not all made without government assistance. Our price support programs on such commodities as wheat, cotton, rice, and dairy products keep their prices above world prices. Consequently, the government makes export payments to exporters in cash or in kind and sells its stocks at less than domestic prices. This method enables these products to compete in world markets. About $1.4 billion or 30 percent of our $4.5 billion in dollar exports benefited from such payment assistance in 1964.

The export market is more important for some commodities than for others. Last year it provided a market for three-fourths of the wheat production, three-fifths of the nonfat dry milk, a third of the cotton, and two-fifths of the soybeans.

Agricultural commodities also differ in their dependence upon government export programs. Last year U.S. wheat exports totalled about $1.5 billion. Over $900 million, 60 percent, were exported under government export programs.

On the other hand, exports of oilseeds and oilseed products are mostly made for dollars—bringing in more dollars than any other agricultural commodity last year. These exports totalled $852 million in 1964 of which $768 million, 90 percent, were dollar sales. Soybeans are the most important in this group. They moved abroad as sales for dollars without any export payment because world prices have been above domestic prices. However, a significant quantity of soybean oil was exported under government export programs.

What are the future prospects for agricultural exports? During 1965 the export total will probably decline slightly due to better crop prospects in both Western and Eastern Europe. So U. S. wheat exports are expected to decline to 675 million bushels in 1965—down substantially from 860 million bushels in 1964. The Soviet Union had a good crop and probably will not buy much wheat this year. Except when Russia has very poor crop years the United States cannot count on it as a wheat importer.

Industrial countries, especially Western Europe, Japan, and Canada, will probably increase their U.S. agricultural imports. Expanded livestock production in Western Europe and Japan will provide larger dollar markets for U. S. feed grains, protein meal, and soybeans.

Agricultural exports may rise to a $7 million total by 1970, assuming some increase in commercial sales and continuation and perhaps some enlargement of government disposal of surplus products abroad. U. S. farm output will probably continue to increase at a faster rate than our domestic market can absorb at prices considered adequate for our farmers.

On the other hand, the world's need for food will probably increase faster than food output. Indications are that population will increase faster than the food supply in less developed regions—particularly in Latin America, Asia, and Africa.

Economic growth will continue in industrial countries where the demand for livestock products will increase. This in turn will stimulate the dollar demand for livestock products, feed grains, and oilseeds that can be produced cheaply in the United States.

U. S. agricultural exports: value of commercial sales for dollars and government programs, 1955-64

Year ending June 30	Sales for dollars	Under government programs	Total exports
		billion dollars	
1955	2.3	0.9	3.2
1956	2.1	1.4	3.5
1957	2.8	1.9	4.7
1958	2.7	1.3	4.0
1959	2.5	1.2	3.7
1960	3.2	1.3	4.5
1961	3.4	1.6	5.0
1962	3.5	1.6	5.1
1963	3.5	1.6	5.1
1964	4.5	1.6	6.1

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