Overseas Food Aid

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The United States provides food aid abroad through two main channels: the Public Law 480 program (P.L. 480), otherwise known as the Food for Peace Program, and Section 416(b) of the Agricultural Act of 1949, as amended.

P.L. 480 provides commodities to assist developing countries. Food is distributed through P.L. 480 under three programs, whose operations were modified by the 1990 farm bill. Previously, the United States helped designated countries with balance-of-payments problems purchase U.S. agricultural commodities through long-term, low-interest credit under P.L. 480 Title I. Title I also authorized sales of U.S. farm products for local currency to help generate economic growth through the recipient country's private sector.

Under P.L. 480 Title II, the United States donated agricultural commodities to alleviate famine, provide disaster relief, combat malnutrition, and encourage economic and community development. These donations were distributed through either recipient governments, private voluntary organizations, cooperatives, or the World Food Program. Since 1954, the United States has donated more than $10 billion in food to over 100 countries under Title II. Under the Food for Development Program (P.L. 480 Title III), the United States could have forgiven a Title I loan if the local currency generated from Title I commodity sales were used to finance specified development projects. These programs were managed by five Federal agencies—the Departments of Agriculture, State, and Treasury; the Agency for International Development (AID); and the Office of Management and Budget.

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The 1990 farm bill authorized several changes in foreign food aid distributions effective January 1, 1991. Title I still provides for concessional sales of U.S. agricultural commodities, but credit terms have been shortened. Responsibility for implementation of the Title I program is assigned to the Secretary of Agriculture. Title II continues to make available emergency food aid to recipient country governments, public and private agencies, and international organizations, such as the World Food Program. In nonemergency situations however, only private voluntary organizations, cooperatives, and international organizations may distribute Title II commodities. The 1990 farm bill increases slightly each year the minimum volume of commodities allocated for Title II donations. The new Title III program authorizes food assistance to least developed countries through government-to-government agreements. Implementation of Titles II and III is assigned to the Administrator of the Agency for International Development.

The Section 416 program is separate from, though similar to, P.L. 480 Title II. Section 416 involves the overseas donation of surplus commodities owned by USDA's Commodity Credit Corporation (CCC). Donations have historically included corn, dairy products, sorghum, wheat, and wheat flour. However, such shipments depend on the availability of surplus CCC stocks.

Funding for P.L. 480 peaked at about $2.2 billion in fiscal 1985 during the African famine. For fiscal years 1987-90, funding remained relatively stable at $1.5 billion. P.L. 480 has accounted for 5 percent or less of the value of total U.S. agricultural exports since fiscal 1974. Volumes shipped have declined from about 8.5 million tons in fiscal 1985 to about 5.3 million tons in fiscal 1989. This compares with the peak shipment volume of close to 19 million tons in fiscal 1962.

Funds to support Section 416 distributions of surplus CCC stocks are provided by the CCC. As much as $279 million (in fiscal years 1985 and 1988) of commodities have been shipped. Volumes have ranged from 153,000 tons in fiscal 1984 to 2.1 million tons in fiscal 1988.

The channels through which U.S. food aid has been distributed have changed slightly over the years. In fiscal years 1977-79, Titles I and III shipments accounted for 68 percent of total food aid. In fiscal years 1987-89, such shipments constituted 55 percent. Title II's share of food aid dropped only a percentage point to 31 percent in fiscal years 1987-89. These declines were due mainly to the growth in Section 416 shipments, which started in fiscal 1983 and accounted for almost 15 percent of total food aid shipments during fiscal years 1987-89. Also reducing the share of aid through Titles I and III were their lower shipments.

Commodities Provided

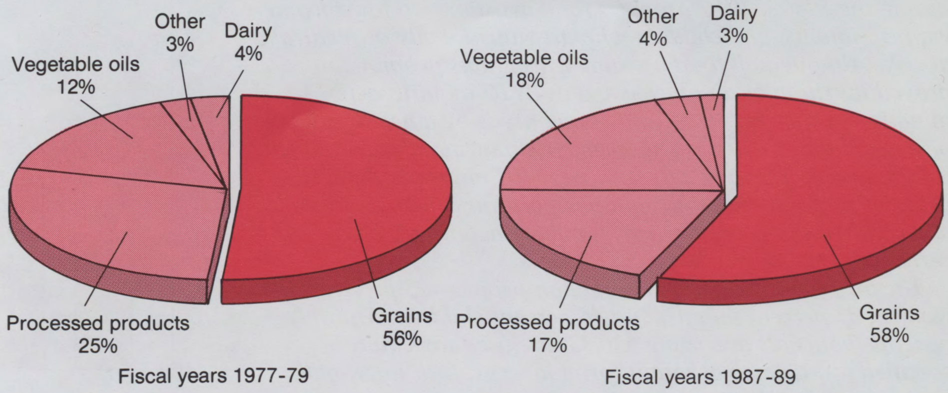
The United States provides a wide array of commodities through its food aid programs. These range from bulk, unprocessed commodities to foods easily used in relief camps. In fiscal years 1987-89, grains constituted 58 percent of the value of all food aid shipments (figure 1). Much of that was wheat, followed by rice, corn, and sorghum. Grains were distantly followed by processed cereal products, which constituted 17 percent of the total. These products, which can be more readily used or consumed, include flour, bulgur wheat (cracked wheat), and cereal mixtures containing such ingredients as corn meal, soy flour, and nonfat dry milk. Vegetable oils used for cooking purposes and as an ingredient in other foods accounted for approximately 18 percent of the total value. Almost all of the vegetable oil category consisted of soybean oil. Dairy products, mostly nonfat dry milk, constituted 3 percent of the 1987-89 total. Miscellaneous commodities included cotton, dry beans, tallow, and other products.

The commodity composition of U.S. food aid in fiscal years 1987-89 changed somewhat from 10 years earlier (figure 1). While the share of processed products (mainly cereals) and dairy products declined, the share of grains, vegetable oils, and miscellaneous commodities increased. Bulk grain shipments increased with large exports under Section 416. Much of the decline in processed products can be attributed reduced flour shipments to Egypt and Sri Lanka. Much higher shipments of soybean oil, mainly to Pakistan, accounted for the increase in vegetable oils. Dairy products' share decreased slightly due to less availability and fewer shipments in fiscal 1989. Miscellaneous commodities increased due to more shipments of dry beans, tallow, and a variety of other commodities. A major change among the miscellaneous commodities was that tobacco was no longer provided in 1987-89 as it had been 10 years earlier.

Major Recipients

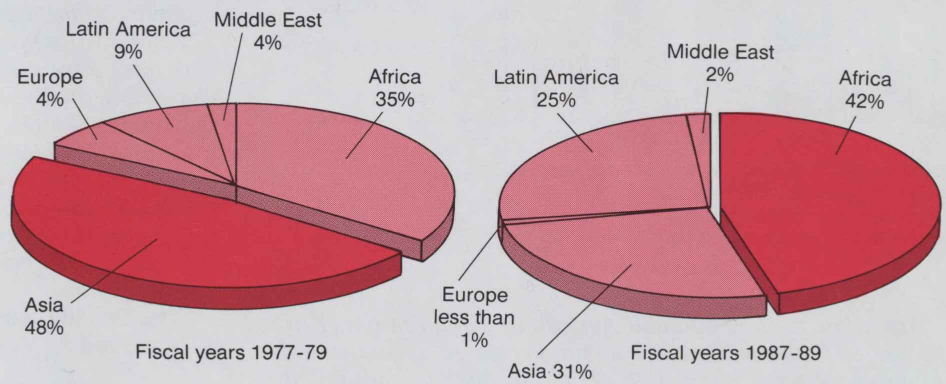
The distribution of U.S. food aid has also shifted significantly in the last 10 years (figure 2). In fiscal years 1987-89, Asian countries received slightly more than 30 percent of the total, compared with almost half in fiscal years 1977-79. In particular, India, Indonesia, and Korea (a former P.L. 480 recipient which is now a major commercial buyer of U.S. agricultural exports) received less aid in 1987-89 than 10 years earlier. African countries, on the other hand, received more than 40 percent of all U.S. food aid in the late 1980's, compared with 35 percent in fiscal years 1977-79. Ethiopia, Mozambique, and the Sudan received significantly more U.S. food aid in the late 1980's than in the late 1970's. The share of U.S. food aid shipped to Latin America grew to 25 percent from about 10 percent in fiscal years 1977-79. Greater shipments were directed to Mexico and Central American countries, especially El Salvador. Less aid was shipped to Europe (mainly Portugal) and the Middle East (mainly Israel, Jordan, and Syria) in the late 1980's than in the late 1970's. ■

Figure 1
Grains Continue To Dominate International Food Donations
Value of food aid shipped



Source: USDA, ERS.
Contact: Mark Smith (202) 219-0820.

Figure 2
Recipients of U.S. Food Aid Have Changed Since the Late-1970's
Value of food aid shipped



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