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United States Plays a Major Role in Food Aid Abroad

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The United States is the leader in world food aid, providing about 60 percent of total world cereal aid shipments (fig. 1). In comparison, the European Community provides about 20 percent, Canada 10 percent, Japan 4 percent, and Australia 3 percent. A number of other nations also provide food to needy countries.

The United States provides food aid abroad through two main channels: the Public Law (P.L.) 480 Program, otherwise known as Food for Peace, and Section 416(b) of the Agricultural Act of 1949, as amended. Closely related to these is the Food for Progress Program, which uses commodities to encourage agricultural policy reform. It is carried out using P.L. 480 Title I funds, Section 416(b) commodities, or Commodity Credit Corporation (CCC) funds.

Changes in Food Aid Legislation

Through the Food for Peace Program, the United States provides commodities to help meet the needs of hungry individuals and to assist developing countries. Food is

distributed through P.L. 480 under three programs, whose operations were modified by the Food, Agriculture, Conservation, and Trade Act of 1990.

Before the 1990 act, the U.S. Government provided balance-of-payments support to designated countries through long-term, low-interest credit for purchases of U.S. agricultural commodities under Title I of P.L. 480. Title I also authorized sales of U.S. farm products for local currency to generate economic growth through the recipi-

ent country's private sector. Under P.L. 480 Title II, the United States donated U.S. agricultural commodities to alleviate famine, provide disaster relief, combat malnutrition, and encourage economic and community development. These donations were distributed through recipient governments, private voluntary organizations, or the World Food Program. Such donations have helped about 60 million people annually. Under Title III, known as the Food for Development Program, the United States



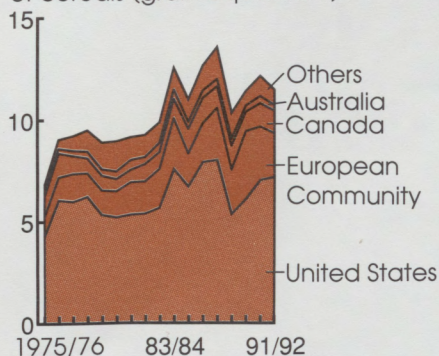
The United States is the largest provider of world food aid.

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Figure 1

The United States Is a Leader Among Nations That Provide Food Aid

Million metric tons of cereals (grain equivalent)



Note: Data are reported on a July-June year.

could forgive a Title I loan if the local currency generated from Title I commodity sales were used to finance specified development purposes.

Several changes in the P.L. 480 program were authorized by the 1990 act and became effective January 1, 1991. Title I continues to provide for sales of U.S. agricultural commodities through long-term concessional financing, but the repayment period was shortened from 40 to 30 years. Responsibility for implementation of the Title I program is assigned to USDA. Title II makes food commodities available for distribution overseas by private voluntary agencies, international organizations, and, in the case of emergencies, also recipient country governments. The new Title III program grants food assistance to least developed countries through agreements between the U.S. Government and recipient governments. Implementation of Titles II and III is assigned to the Agency for International Development.

The Section 416(b) program is separate from, though similar to, P.L. 480 Title II. The latter program is funded by Congressional appropriations, whereas the commodities provided under Section 416(b)

are not. Section 416(b) involves the overseas donation of surplus commodities acquired by the CCC as part of its domestic U.S. price-support programs. Donations have historically included corn, dairy products, sorghum, soybeans, wheat, and flour. However, such shipments depend on the availability of surplus CCC stocks.

Food Aid Primarily Means Grains

The United States provides a variety of commodities for food aid programs, ranging from bulk, unprocessed commodities to foods easily used in relief camps.

In fiscal 1988-90, grains accounted for nearly 60 percent of the value of U.S. food aid shipments. Much of that was wheat, followed by corn, rice, and sorghum.

Slightly less than 20 percent of the value of U.S. food aid was vegetable oil, used in cooking and as ingredients in other foods.

Processed cereal products accounted for more than 15 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. About 1 percent of the fiscal 1988-90 total were dairy products—mostly butter and nonfat dry milk. The remainder was classified as “miscellaneous” commodities, which included cotton, dry beans, tallow, and other products.

More Oils, Less Cereals

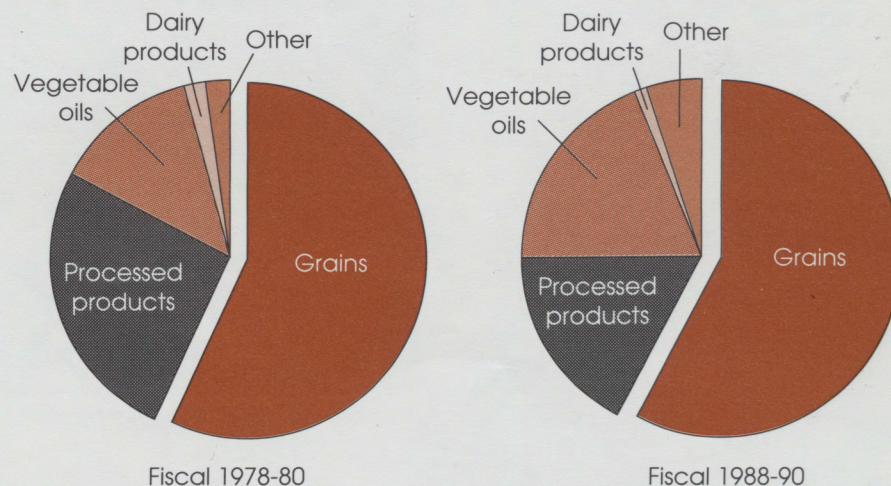
Between fiscal 1978-80 and 1988-90, the commodity composition of U.S. food aid changed (fig. 2). The share of processed cereal products and dairy products declined, while the share of vegetable oils and miscellaneous commodities increased. The share of bulk grains remained fairly steady.

Smaller shipments of processed cereal products, especially to Egypt and Sri Lanka, accounted for the decline in processed products. More soybean oil, mainly to Pakistan, accounted for the increase in vegetable oils. The share of dairy products decreased as prices rose and CCC stocks declined.

Shipments of dry beans, tallow, and a variety of other miscellaneous commodities increased. A major change among this group was that tobacco was not shipped after 1985.

Figure 2

Grains Continue To Dominate U.S. Food Aid



Values and Volumes Change

The value of food aid under P.L. 480 peaked at about \$2.2 billion during the 1985 African famine. Since then, the value has remained relatively stable after declining from that peak to about \$1.5 billion in fiscal 1988-90.

Volumes shipped have declined from about 8.5 million tons in fiscal 1985 to about 5.3 million tons in fiscal 1990. This compares with peak shipments close to 19 million tons in fiscal 1962.

The value of Section 416(b) food aid from surplus CCC stocks has reached to as much as \$279 million (in fiscal years 1985 and 1988). Volumes have ranged from between 153,000 tons in fiscal 1984 to 2.1 million tons in fiscal 1988. In fiscal 1990, the volume declined to about 1.7 million tons.

Donations' Role Grows Compared to Credit

The channels through which the United States provides food aid have changed slightly between fiscal 1978-80 and 1988-90. In fiscal 1978-80, P.L. 480 Titles I and III shipments accounted for 67 percent of the total. In fiscal 1988-90, such shipments constituted 50 percent.

The decline in the share of these shipments was due mainly to the growth in Section 416(b) donations. Section 416(b) assistance started relatively small in fiscal 1983 and grew to account for more than 15 percent of total shipments during fiscal 1988-90.

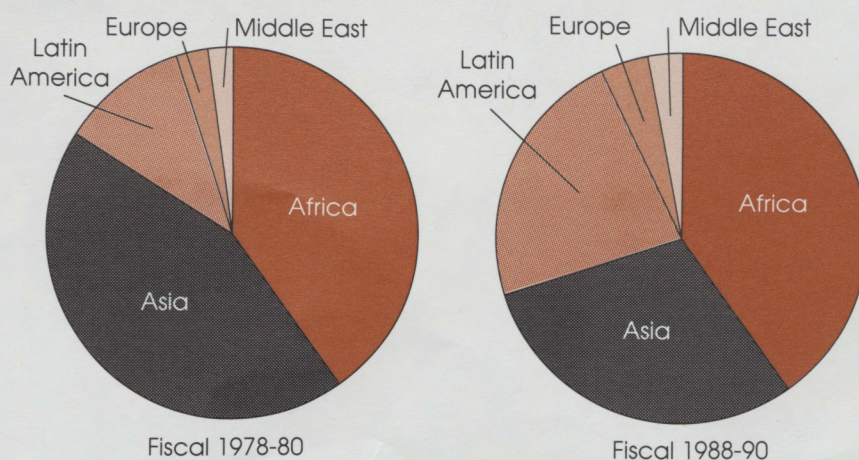
The share of Title II donations remained basically unchanged at 34 percent in fiscal 1988-90.

More Aid to Latin America, Less to Asia

The distribution of U.S. food aid has shifted in the last 10 years

Figure 3

Recipients of U.S. Food Aid Have Changed Since the Late 1970's



largely as a result of changing needs around the world.

In fiscal 1988-90, Asian countries received 30 percent of the total, compared with almost 45 percent in fiscal 1978-80 (fig. 3). In particular, Indonesia and South Korea received less aid in fiscal 1988-90 than 10 years earlier.

Conversely, the share of U.S. food aid shipped to Latin America grew to 23 percent from about 10 percent in fiscal 1978-80. This was due to greater shipments directed in the late 1980's to El Salvador, Mexico, Guatemala, and Honduras, among others.

A larger share of food aid was also shipped to Europe and the Middle East in fiscal 1988-90 than in 1978-80. Higher shipments to Poland and Romania offset lower shipments to Portugal and Cyprus. Similarly, increases in aid to Jordan, Lebanon, and Yemen exceeded declines to Syria, Israel, the Gaza Strip, and Turkey.

African countries received about 40 percent of all U.S. food aid in the late 1980's. The share remained unchanged from fiscal 1978-80 largely because increased shipments to Ethiopia, Morocco, and Mozambique about offset decreases to Egypt.

Food Aid Still Boosts Ag Exports

P.L. 480 food aid has accounted for 5 percent or less of the value of total U.S. agricultural exports since fiscal 1974. But, food aid shipments are still important for sales of some commodities. For example, U.S. food aid accounted for more than 40 percent of U.S. flour exports in fiscal 1988-90, although this share was down from almost 70 percent in fiscal 1978-80. Smaller aid shipments accounted for most of the decline.

Smaller rice aid shipments also caused the aid share of total U.S. rice exports to decline from 18 percent to 13 percent in fiscal 1988-90.

Commercial dairy product exports increased and aid shipments declined, trimming aid's share of total dairy exports from nearly 20 percent in fiscal 1978-80 to less than 5 percent in fiscal 1988-90.

Food aid shipments are increasing in importance for two commodity groups. Greater aid shipments of vegetable oils, combined with smaller total exports, raised the aid share of total exports to 28 percent in fiscal 1988-90 from 14 percent in fiscal 1978-80. Food aid's share of wheat exports rose slightly from 9 to 11 percent, with higher aid shipments in fiscal 1988-90. ■