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FUTURE OF FOOD AID

GOVERNMENT
Storage

HEARINGS
BEFORE THE
SUBCOMMITTEE ON
FOREIGN AGRICULTURAL POLICY
OF THE
COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY
UNITED STATES SENATE
NINETY-FIFTH CONGRESS



FIRST SESSION

ON

S. 1169

A BILL TO AMEND AND EXTEND THE AGRICULTURAL TRADE
DEVELOPMENT AND ASSISTANCE ACT OF 1954, AS AMENDED

APRIL 4 AND 5, 1977

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

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THE HISTORY OF THE

REIGN OF

CHARLES THE FIRST

BY

JOHN BURNET

OF THE UNIVERSITY OF OXFORD

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FUTURE OF FOOD AID

MONDAY, APRIL 4, 1977

U.S. SENATE,
SUBCOMMITTEE ON FOREIGN AGRICULTURAL POLICY OF THE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C.

The Subcommittee on Foreign Agricultural Policy met pursuant to notice at 10 a.m., in room 322, Russell Senate Office Building, Hon. Hubert H. Humphrey (chairman of the subcommittee) presiding.
Present: Senators Humphrey, Clark, Dole, and Lugar.

STATEMENT OF HON. HUBERT H. HUMPHREY, A U.S. SENATOR FROM MINNESOTA

Senator HUMPHREY. We will open the hearings of the Foreign Agricultural Policy Subcommittee. We will be holding oversight hearings on Public Law 480, Food for Peace.

I want to extend a welcome to those who will participate in these hearings. We are going to be discussing the future of our food assistance program, one of the most valuable tools of diplomacy and assistance that our Government has.

Senator Clark and I felt it would be useful to hold oversight hearings to examine past problems and future prospects before making a decision on extending the program for another 5 years.

When I introduced S. 1169 on March 20 to extend and improve the program, I said:

Every activity requires periodic review. The successes of Public Law 480 are no reason why continued imagination cannot yield ways to further strengthen and improve this program. And occasionally time or circumstance uncovers certain deficiencies in our food for peace activities.

We do not have copies of the new bill at this time. Copies will be available very shortly.

You will recall the concern and attention given to the program during the food crisis of 1974. The 1974 food shortages brought about a new awareness throughout the world, of the longer term food needs of less developed countries that resulted in a heightened awareness of the crucial need to expand agricultural production in those countries.

We have become increasingly aware of the relationship between this program and food production in the developing countries.

With the recent easing in the worldwide food supplies, public and congressional attention of the size, operation, and direction of the program seems to have declined, although there have been some challenging articles on the program and continuing studies by congressional staffs.

If public concern has diminished, the problem of sufficient food supplies and nutrition in less developed countries and the role of food aid in helping to insure adequate supplies has not diminished but increased. Recent reports by the staff of the World Bank and the International Food Policy Research Institute are projecting enormous grain import needs for the less developed countries by 1985, deficits of 75 to 100 million metric tons, compared with around 35 million tons for the same countries in 1974. However, there seems to be very little disagreement among food experts that the world is capable of producing enough grain to fill these projected needs. We are not facing the Malthusian specter of being physically unable to feed ourselves.

What we may well be facing, if the projections are correct, is a distributional problem for less developed countries. How are the less developed countries going to pay for their imports, and how can food supplies be moved to the area of need?

How much domestic investment, critical for development, will have to be foregone if this food deficit continues to grow? What will happen to the growth rate in these countries? What are the implications if we have poor weather and even larger grain imports are needed than those projected in recent studies? How does our food aid program fit into finding a solution to these problems?

While the primary program emphasis today is on humanitarian goals, our food assistance also serves foreign assistance and market development goals. We need to recall that the program was developed largely to help dispose of our food surpluses. These purposes are still part of the program, and we have growing food supplies today—particularly wheat and rice.

In introducing S. 1169, I suggested:

Of course no transaction under Public Law 480 is entirely for market development, foreign policy or humanitarian purposes. There is or should be some element of each in every activity conducted under this act.

The second day's hearings will examine our foreign objectives and market development as they impact on the Public Law 480 program. While it is difficult to relate these different objectives, they need to be raised and particularly in relation to the future of U.S. food aid.

Of course, we realize that food aid programs can only be a part of developed countries' efforts to help less developed countries increase their agricultural production and growth. The magnitude of the potential food problems of less developed countries emphasizes the need to have well integrated and designed aid programs to deal with the food problems of poor countries. I am saying, in substance, that no amount of generosity on our part can really take care of the food needs of the developing countries. The emphasis ultimately has to be upon improving the productivity of food production in the developing countries. The Foreign Assistance Act of 1975 and 1976 emphasized this area of agricultural development.

The World Food Conference sponsored by FAO also emphasized the importance of improving the agricultural production of the developing countries.

Now, these hearings will focus only on food aid, a part—but an important part—of U.S. development assistance. We will look at our food-for-peace program today in the context of potential long-run problems for less developed countries. We have an important stake in how these countries deal with their food and development problems.

I am going to ask the staff to make available for the record a copy of the bill that I introduced, S. 1169, along with its explanation and that portion of the Talmadge-Dole bill, S. 275, that relates to food for peace. These proposals are not very far apart. I think in order to make the record more comprehensive we should include both of them.

[The material follows:]

95TH CONGRESS
1ST SESSION

S. 1169

IN THE SENATE OF THE UNITED STATES

MARCH 29 (legislative day, FEBRUARY 21), 1977

Mr. HUMPHREY introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To amend and extend the Agricultural Trade Development and Assistance Act of 1954, as amended.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. Section 103 (b) of the Agricultural Trade
4 Development and Assistance Act of 1954, as amended (7
5 U.S.C. 1703 (b)), is amended to read as follows:

6 “(b) Assure that, insofar as possible, all sales under this
7 title are for dollars (or to the extent that sales for dollars
8 under the terms applicable to such sales is not possible, sales
9 for foreign currencies on credit terms no less favorable to
10 the United States than those for development loans made
11 under section 201 of the Foreign Assistance Act of 1961,

1 as amended, and on terms which permit conversion to dollars
2 at the exchange rate applicable to the agreement) : *Pro-*
3 *vided*, That if the President determines that foreign cur-
4 rencies of a specific amount are needed for uses specified in
5 subsections (a), (b), (e), and (h) of section 104 and in
6 title III of this Act, the agreement for credit sales to such
7 country shall (1) provide for the expenditure of such cur-
8 rencies over a specified period not in excess of 60 months,
9 and (2) contain a specific accounting of the uses to which
10 such foreign currencies will be applied. Such payment may
11 be considered as an advance payment of the earliest install-
12 ments, when received by an agency of the United States
13 Government, or when an agreement pursuant to title III is
14 signed.”.

15 CONFORMING AMENDMENT

16 SEC. 2. Section 106(b) (2) of the Agricultural Trade
17 Development and Assistance Act of 1954, as amended (7
18 U.S.C. 1706(b)), is amended as follows:

19 (a) by inserting “pursuant to the provisions of
20 title III,” in the first sentence thereof immediately after
21 “carry out programs”; and

22 (b) by inserting immediately before the period at
23 the end thereof “when specifically provided for under a
24 food for development program pursuant to title III of
25 this Act”.

1 REVISION OF THE TITLE I ALLOCATION FORMULA

2 SEC. 3. Section 111 of the Agricultural Trade Develop-
3 ment and Assistance Act of 1954, as amended (7 U.S.C.
4 1711), is amended by—

5 (a) striking out “with an annual per capita gross
6 national product of \$300 or less” in the first sentence
7 thereof and inserting in lieu thereof “determined as the
8 poorest countries on the basis of the eligibility criteria
9 established for development loans of the International
10 Development Association of the International Bank for
11 Reconstruction and Development”;

12 (b) striking out the second sentence thereof;

13 (c) by striking out in the third sentence thereof
14 “with a per capita gross national product of \$300 or
15 less” and inserting in lieu thereof “determined as the
16 poorest countries on the basis of the eligibility criteria
17 established for development loans of the International
18 Development Association of the International Bank for
19 Reconstruction and Development”; and

20 (d) by striking out in the third sentence thereof
21 “significantly changed circumstances occurring after the
22 initial allocation” and inserting in lieu thereof “inability
23 to effectively program such commodities after having
24 made every reasonable attempt to make available financ-

1 ing of sales of agricultural commodities under the author-
2 ity of this title to such countries”.

3 REVISION OF TITLE II MINIMUM VOLUME

4 SEC. 4. Section 201 (b) of the Agricultural Trade De-
5 velopment and Assistance Act of 1954, as amended (7
6 U.S.C. 1721 (b)), is amended as follows:

7 (a) by striking out “1,300,000” and inserting in
8 lieu thereof “1,600,000”; and

9 (b) by striking out “one million” and inserting in
10 lieu thereof “1,300,000”.

11 SALE OF TITLE II COMMODITIES TO INCREASE PROGRAM
12 EFFECTIVENESS

13 SEC. 5. Section 206 of the Agricultural Trade Develop-
14 ment and Assistance Act of 1954, as amended (7 U.S.C.
15 1726), is amended by striking out “purposes specified in sec-
16 tion 103 of the Foreign Assistance Act of 1961” and
17 inserting in lieu thereof “increasing the effectiveness of the
18 programs of food distribution and increasing the availability
19 of food commodities provided under this title to the neediest
20 individuals in recipient countries”.

21 FOOD FOR DEVELOPMENT PROGRAM: OBJECTIVE AND
22 CRITERIA

23 SEC. 6. Section 303 of the Agricultural Trade Develop-
24 ment and Assistance Act of 1954, as amended (7 U.S.C.
25 1692), is amended to read as follows:

1 “SEC. 303. (a) In order to establish a strong relation-
2 ship between United States food assistance and efforts by
3 developing countries to increase the availability of food for
4 the neediest individuals in such countries, the President is
5 authorized to encourage the use of the additional resources
6 represented by the concessional financing of agricultural com-
7 modities under this Act for agricultural and rural develop-
8 ment by permitting the funds accruing from the local sale
9 of such commodities which are used for specified develop-
10 ment purposes to be applied against the repayment obliga-
11 tion of governments receiving concessional financing under
12 this Act. The agreement between the United States Govern-
13 ment and an eligible developing country government which
14 provides for repayment of the loan obligation to the United
15 States accruing from the concessional sale of United States
16 agricultural commodities by the use of funds from the sale
17 of such commodities in the participating country for specified
18 development purposes shall be called a food for development
19 program.

20 “(b) The overall goal of assistance under this title shall
21 be to increase the access of the neediest individuals in the
22 recipient country to a growing and improving food supply
23 through activities designed to improve the production, pro-
24 tection, and utilization of food, and to increase the real level
25 of income of the poorest majority in the small farm and

1 rural sector of the recipient country. Assistance authorized
2 under this title shall place the greatest emphasis on activities
3 which effectively assist small farmers, tenants, sharecroppers,
4 and landless agricultural laborers, by expanding their access
5 to the rural economy through services and institutions at the
6 local level, including integrated health delivery systems, in-
7 creasing employment opportunities, spreading productive in-
8 vestment and services to small towns and outlying rural
9 areas, and otherwise providing opportunities for the poor
10 who are dependent upon agriculture and agriculturally re-
11 lated activities to better their lives through their own
12 efforts.”.

13 FOOD FOR DEVELOPMENT PROGRAM: OPERATIONAL
14 REQUIREMENTS

15 SEC. 7. Title III of the Agricultural Trade Develop-
16 ment and Assistance Act of 1954, as amended, is amended
17 by adding at the end thereof new sections 304 through 309
18 as follows:

19 “SEC. 304. (a) Whenever the President, in consulta-
20 tion with the Government of a developing country, deter-
21 mines that such developing country meets the criteria speci-
22 fied in subsections (b) and (c) of this section and could
23 usefully benefit from the sale of United States agricultural
24 commodities (including processed and blended foods) for
25 the purposes of generating funds or distributing such com-

1 modities for agricultural and rural development, and improv-
2 ing food distribution and use within such country, the Presi-
3 dent may designate such country as eligible for a food for
4 development program.

5 “(b) In order to be eligible for a food for development
6 program under this section, a country must (1) have a
7 need for external resources to improve its food production,
8 marketing, distribution, and storage systems; (2) meet the
9 criteria used to determine basic eligibility for development
10 loans of the International Development Association of the
11 International Bank for Reconstruction and Development;
12 (3) have the ability to utilize effectively the resources
13 made available by the sale of food commodities under this
14 section for the purposes specified in clause (1); and (4)
15 indicate the willingness to take steps to improve its food
16 production, marketing, distribution, and storage systems
17 and the measures described under subsection (c) of this
18 section.

19 “(c) In determining whether a country is eligible
20 under subsection (b) of this section for assistance under this
21 title, the President shall consider the following; the pri-
22 ority of agriculture within the total development plan,
23 the financial, foreign exchange, manpower, and other re-
24 sources allocated to the agricultural sector, and the ade-
25 quacy of planning; the quality and extent of the rural infra-

1 structure, especially farm-to-market roads and improved
2 land; adequacy of rural institutions; the orientation of
3 necessary services, such as agricultural marketing, credit
4 extension, and research devoted to small farmer needs;
5 emphasis on labor-intensive production systems and tech-
6 niques; the extent of both public and private mobilization
7 of rural savings; and the geographic organization of develop-
8 ment.

9 "SEC. 305. (a) A country designated as eligible and
10 wishing to participate in a food for development program
11 shall formulate, with the assistance of the United States
12 Government and where appropriate, international agencies
13 as well as United States voluntary agencies or private en-
14 tities, a multiyear use proposal which shall be submitted to
15 the President. Such proposal shall indicate the annual value
16 of agricultural commodities proposed to be financed under
17 the authority of title I of this Act pursuant to the provisions
18 of this title, and a specific accounting of the intended uses of
19 the funds generated from the sale of such commodities, on an
20 annual basis for each year such funds are to be disbursed.
21 Such proposal shall also specify the nature and magnitude
22 of problems to be affected by the effort, present targets in
23 quantified terms, insofar as possible, and a definition of the
24 relationships and linkages between the various projects or
25 activities to be supported.

1 “(b) The multiyear utilization proposal for any food
2 for development program shall include, but not be limited to,
3 a statement of how assistance under such a program will be
4 integrated into that country's overall development plans and
5 with other forms of bilateral and multilateral development
6 assistance, including assistance made available under section
7 103 of the Foreign Assistance Act or under any other title
8 of this Act.

9 “(c) In his review of any utilization proposal for a
10 food for development program the President shall be satis-
11 fied that such assistance complements, but does not replace,
12 funds which might have otherwise been made available under
13 section 103 of the Foreign Assistance Act of 1961, or any
14 other program of bilateral or multilateral assistance, or under
15 the development program of the country desiring to initiate
16 a food for development program.

17 “SEC. 306. (a) Whenever a utilization proposal has
18 been agreed upon by the President and the participating
19 country, the Commodity Credit Corporation is authorized to
20 furnish credit under the authority of title I of this Act to the
21 participating country for the purchase of a specific annual
22 value of agricultural commodities to be delivered over a
23 period of not greater than five years, as the case may be,
24 at terms no less favorable to the United States than the

1 minimum rate required by section 201 of the Foreign Assist-
2 ance Act of 1961 for loans made under that section.

3 “(b) Notwithstanding any other provision of this Act,
4 no payment except as provided for under this title shall
5 be required of the recipient government as a part of any
6 agreement to finance the sale of agricultural commodities
7 pursuant to a food for development program.

8 “SEC. 307. Funds generated from the sale of agricul-
9 tural commodities by any participating country under this
10 title shall be held in a special account where practicable to be
11 disbursed for the specific uses described in the approved
12 multiyear food for development program of such country.
13 The amount of funds disbursed for such purposes shall be
14 considered as an advance payment of the earliest install-
15 ments of the loan obligation to the Commodity Credit Corpo-
16 ration at rates of exchange applicable to the agreement unless
17 the amount of the disbursement for such purposes creates an
18 outstanding balance in the special accounts established above
19 which cannot be disbursed, within a period of two calendar
20 years through normal program operations budgeted for the
21 participating country's food for development program oper-
22 ations. Payments may not be credited against the repayment
23 of the loan obligation to the Commodity Credit Corporation
24 until such outstanding balance is reduced.

25 “SEC. 308. Not more than one year after the signing

1 of an agreement with any country under this title and each
2 year thereafter for the period of agreement, the government
3 of the participating country, with the assistance of the United
4 States Government, shall submit a comprehensive report to
5 the President on the activities under the food for develop-
6 ment program for such country, including but not limited
7 to, a specific accounting for funds generated, their specific
8 uses, and the outstanding balances at the end of the most
9 recent fiscal year. Such report shall summarize the utiliza-
10 tion proposal for the food for development program; and
11 compare results with projected targets. Such annual report
12 may also include recommendations for modification and
13 improvement in the uses of funds under the food for devel-
14 opment program of such country. The President shall suspend
15 shipments under a food for development program for which
16 no such report has been received after ninety days follow-
17 ing the date on which such report is due.

18 "SEC. 309. Each year the President shall review the
19 disposition of all agreements providing for the use of the
20 proceeds from the sale of agricultural commodities pursuant
21 to this title for which such funds had not been fully dis-
22 bursed the preceding year. The results of such review shall
23 be included in the annual report to the Congress required
24 under section 408 (a). If the President finds that such
25 currencies are not being disbursed according to the provi-

1 sions of such agreement, he shall not extend financing for
2 sales under this title during the following fiscal year or
3 until the situation is remedied, whichever occurs first.”.

4 AVAILABILITY REQUIREMENTS FOR DISTRIBUTION
5 OF COMMODITIES

6 SEC. 8. Section 401 of the Agricultural Trade Develop-
7 ment and Assistance Act of 1954, as amended (7 U.S.C.
8 1731), is amended by inserting “(a)” immediately after
9 the section designation; by striking out the second sentence;
10 and by adding at the end thereof the new subsection (b):

11 “(b) No commodity shall be available for disposition
12 under this Act if such disposition would reduce the domestic
13 supply of such commodity below that needed to meet domes-
14 tic requirements, adequate carryover, and anticipated com-
15 mercial exports as determined by the Secretary of Agricul-
16 ture at the time of exportation of such commodity. If the
17 President determines and so reports to the Congress with his
18 reasons therefor that any part of the available supply should
19 be used to carry out the humanitarian objectives of this Act,
20 he may allocate any such portion of such supply for distribu-
21 tion under this Act and such distribution shall be made to
22 meet the following priorities: (1) disaster relief, (2) estab-
23 lished programs under title II, (3) agreements under title
24 III, and (4) other humanitarian food assistance programs.”.

1 VALUATION OF COMMODITIES ACQUIRED THROUGH PRICE
2 SUPPORT PROGRAMS

3 SEC. 9. Section 403 of the Agricultural Trade Develop-
4 ment and Assistance Act of 1954, as amended (7 U.S.C.
5 1733), is amended by—

6 (a) inserting “(a)” immediately after the section
7 designation; and

8 (b) adding at the end thereof a new subsection (b)
9 as follows:

10 “(b) Notwithstanding any other provision of law, in
11 determining the reimbursement due Commodity Credit Cor-
12 poration for all costs incurred under this Act, commodities
13 from Commodity Credit Corporation inventory, which were
14 acquired under a domestic price support program, shall be
15 valued at the export market price therefor, as determined
16 by the Secretary of Agriculture, as of the time the com-
17 modity is made available under this Act.”.

18 SEC. 10. Section 408 of the Agricultural Trade Develop-
19 ment and Assistance Act of 1954, as amended (7 U.S.C.
20 1734), is amended by adding at the end thereof a new sub-
21 section (c) as follows:

22 “(c) Beginning October 1, 1978, and at each five year
23 interval thereafter, the President shall submit to the Congress
24 a comparative cross-country evaluation of programs con-

1 ducted under title II and under title III. Such evaluations
2 shall cover no fewer than five countries sampled from the
3 developing regions (Asia, Africa, Latin America, and the
4 Caribbean), and shall assess the impact, achievements, prob-
5 lems and future prospects for programs under these titles.”.

6 SEC. 11. Section 409 of the Agricultural Trade Develop-
7 ment and Assistance Act of 1954, as amended (17 U.S.C.
8 1736c), is amended by striking out “December 31, 1977”
9 and inserting in lieu thereof “December 31, 1982”.

10 SPECIAL TASK FORCE ON THE OPERATION OF PUBLIC LAW

11 480

12 SEC. 12. (a) It is the sense of the Congress that atten-
13 tion be given to handling, storage, transportation, and ad-
14 ministrative procedures in order to make improvements in
15 the operation of Public Law 480. Toward this objective, the
16 President shall appoint a special task force of individuals
17 familiar with the operation of programs conducted under
18 Public Law 480 to review and report upon the operation
19 of this Act.

20 (b) Such review shall include, but not be limited to,
21 organizational arrangements for the administration of Pub-
22 lic Law 480, or parts thereof, title I allocation criteria and
23 procedures, quality control including handling and storage
24 through the first stage of distribution in the recipient coun-

1 try, and regulation of businesses and organizations to which
2 services are contracted under Public Law 480.

3 (c) No later than eighteen months following enactment
4 of this Act, the President shall transmit to the Congress the
5 report of such task force along with administrative actions
6 he has or intends to take as a result of such report, and
7 recommendations, if any, for legislative changes.

[Reprint from the Congressional Record, Mar. 29, 1977—Explanation of S. 1169]

By Mr. HUMPHREY :

S. 1169. A bill to amend and extend the Agricultural Trade Development and Assistance Act of 1954, as amended; to the Committee on Agriculture, Nutrition, and Forestry.

A PROPOSAL TO STRENGTHEN AMERICAN FOREIGN FOOD ASSISTANCE PROGRAMS

Mr. HUMPHREY. Mr. President, throughout my career in the Congress, I have been deeply involved in our foreign food assistance programs. I am proud to have been an originator of the legislation. From the inception of Public Law 480, I have proposed ways that the program could be structured better to address humanitarian and development needs in the less-developed world. I, therefore, take a certain amount of personal pride in the achievements of our food for peace program over the past 27 years.

Yet, every activity requires periodic review. The successes of Public Law 480 are no reason why continued imagination cannot yield ways to further strengthen and improve this program. And occasionally time or circumstance uncovers certain deficiencies in our food for peace activities.

It is this concern over increasing food requirements of the developing world and the need to provide for economic opportunities in rural areas of such nations that leads me to propose comprehensive changes today in Public Law 480.

The precipitous decline in the volume of food assistance during a year of exceptional need in 1973-74 led us to embark upon a majority review of Public Law 480 and the effectiveness with which it was responding to the humanitarian objectives of the Act. Furthermore, the predominance of foreign policy priorities in the allocation of Public Law 480 title I concessional financing of commodity sales suggested the need to review the balance between the respective market development, foreign policy and humanitarian purposes of the act.

Throughout 1975, I organized several task forces of individuals with experience in foreign food and development assistance to suggest ways to provide for a better balance in the objectives of Public Law 480 in the allocation process. These groups looked at ways to improve the responsiveness of Public Law 480 to the food needs and availabilities of developing nations with an emphasis on meeting humanitarian priorities. The task forces also reviewed ways to strengthen the linkage between food assistance and agricultural development.

The product of this review was S. 1654, a bill which I introduced in the last Congress. This bill embodied many of the concepts which were later included in the International Development and Food Assistance Act of 1975, H.R. 9005, which was enacted in December of that year.

The primary purpose of the bill I am offering today is to extend the program authority for 5 years, refine some of the concepts which were introduced in the International Development and Food Assistance Act of 1975, and provide for certain other changes in Public Law 480 to improve the effectiveness of our foreign food assistance activities.

IMPROVEMENTS IN TITLE I ALLOCATION FORMULA

My bill would modify the title I allocation formula which requires that three-quarters of the funds available for concessional financing of agricultural exports under Public Law 480 be provided to countries with an annual per capita gross national product of \$300 or less.

My bill would raise the minimum income criterion which has become increasingly restrictive, due to inflation, and link it to the standard used for development loans to the poorest nations by the International Development Association of the World Bank. This standard, which has recently been raised to \$520 per capita gross national product, would be subject to future adjustment as dictated by inflation. The President also would be permitted to reallocate that portion of title I financing which is not needed by the poorest nations.

While I was the author of the title I allocation formula, I recently have become concerned that it may, in fact, lead to a situation where it compels the President to dump commodities on countries which do not at the time require assistance. Since the funding available for Public Law 480 financing remains relatively constant, but unit prices of commodities shipped under the program can vary considerably, the total volume of shipments can swing widely from

year to year. Allowing the President some flexibility to allocate commodities on the basis of the need and absorptive capacities of recipient countries would discourage the practice of shipping Public Law 480 commodities in such quantities as to depress the prices and incomes of farm producers in such countries and to impair efforts to maintain incentives for longer term agricultural development.

My bill would place the burden on the President, however, to establish that food assistance is not required by those poorest nations—after every reasonable attempt has been made to make title I financing available to such countries—before he may reallocate any portion of title I. This adjustment will help us develop an appropriate emphasis on the qualitative aspects of food aid rather than continue to restrict our primary concern to the quantitative aspects of food distribution.

ASSURING ADEQUATE FOOD SUPPLIES UNDER TITLE II

Under my bill, the minimum quantity of food required to be distributed under the title II grant programs would be increased annually from 1.3 to 1.6 million metric tons. Of this amount, the minimum to be distributed through U.S. non-profit voluntary agencies would be increased from the present 1 million metric tons to 1.3 million metric tons.

The purpose of this minimum level is to assure the continued availability of adequate food supplies for ongoing programs conducted under title II. Such programs, mainly for maternal and child feeding purposes, must have some assurance of commodity availability before the recipient nations can commit their own resources and personnel to projects based upon title II donations. The greatest continuity in supply which this minimum provides would permit more effective long term programming around specific developmental and nutritional objectives.

Historically, title II programming has averaged well above 2½ million metric tons annually. But recently, the levels were precipitously cut back to a little over 1 million tons. It is my hope that our title II donation programs can be rebuilt and that programming of 2 million tons and above can be reached over the years ahead.

A FOOD FOR DEVELOPMENT PROGRAM

The core of my proposal is a new title III, or food for development program. This would be a refined version of the "grant back" authority provided under the 1975 amendments to the act. This title would permit the President to waive repayment of Public Law 480 concessional loans on a carefully controlled basis, provided that the local currency proceeds be used for agreed upon developmental purposes.

The purpose of the food for development program would be to provide an option to title I concessional financing, under which incentives would be provided to the recipient government to channel additional resources into rural and agricultural development.

I wish to stress that the food for development program is an option to title I and would not replace such assistance. I would further stress that the food for development program should be applied in specific circumstances where the need for such resources is clearly evident, where the resources would represent an addition to rather than a replacement for other developmental resources, and where a carefully worked out plan for utilization of the additional resources would be developed by the recipient government in consultation with the U.S. Government.

This suggests that the U.S. Government should move cautiously into such arrangements and expand such programs only after a few pilot projects have been proven successful. The reason for this caution, as well as the need to refine existing authority for loan forgiveness, is to make sure that this program is constructed in such a way as to provide effective and additional development assistance.

Unless such an explicit procedure is laid out in the authorizing legislation, it is possible that at some point this provision may become little more than an excuse for additional concessionality for commodity loans under Public Law 480 rather than an incentive for channeling increased development assistance into rural and agricultural development.

A new title for Public Law 480 which specifically defines a program of additional development assistance should help establish an increased profile for the linkage between food and development assistance that was implied in the enactment of the "grant back authority" in 1975.

ENDING THE FARM SURPLUS DISPOSAL RATIONALE

The time has come to ask whether Public Law 480 is truly a humanitarian program or whether it remains no more than a vehicle for unloading farm surpluses when we have them. Section 401 permits the President to make commodities available under Public Law 480 only after domestic needs, commercial exports, and an adequate carry over have been provided for. In other words, food-for-peace shipments can be made only when commodities are in surplus to the commercial interest.

Our basic sensibilities suggest that the highest priorities be offered humanitarian needs in the allocation of the resources available under Public Law 480. Yet, if properly administered, Public Law 480 can also serve other objectives without diluting the humanitarian impact of the program. This multiplying of purposes has offered a base of support enjoyed by few other programs in the area of foreign affairs.

All of our actions affecting trade with foreign countries affect our foreign policy. Therefore, Public Law 480 can and does impact on the foreign policy objectives of the United States. The heavy programing of Public Law 480 to Southeast Asia for foreign policy reasons in a period of greater need elsewhere, however, was a gross and insensible disregard for the necessary balance of objectives.

But, a more effective and responsible allocation of resources under Public Law 480 when coordinated with a foreign policy strategy which is based upon reasonable obligations of interdependency, rather than on power manipulations, can greatly enhance our position in the international community. Without such a perspective, no amount of congressional suasion or detailed administrative requirements can provide for a balanced management of program.

Public Law 480 has been used effectively to join and expand markets for U.S. farm commodities, and again, with proper administration of the program, market development activities need not conflict with humanitarian uses of Public Law 480.

But market development should be clearly differentiated from surplus disposal. We do not maintain long-term customers by offering our product only when we have a surplus. Abrupt changes in availability under the program may only lead customers to develop new supply sources.

Of course no transaction under Public Law 480 is entirely for market development, foreign policy or humanitarian purposes. There is or should be some element of each in every activity conducted under this act. But in those cases where market development may be predominant objective, programing should be coordinated in a broader and long-term strategy which incorporates all the other tools and considerations relevant to the particular market of interest.

THE HUMANITARIAN PRIORITY OF FOOD FOR PEACE

However, the failure to afford appropriate priority to the humanitarian uses of Public Law 480 in several recent cases suggests the need to reaffirm the primacy of this objective.

I am proposing an amendment to section 401 which would permit the President to allocate some part of the supply of a commodity to meet urgent humanitarian requirements abroad. Just as we do not make our church contribution after all our other temporal desires are provided for, a truly humanitarian food aid program must be more than disposal of unwanted surpluses.

Another amendment I am proposing would permit the President to value, for the purpose of reimbursement to the Commodity Credit Corporation, a commodity acquired under domestic price support programs, at the world price rather than at the acquisition price. This is designed to provide flexibility in programing price support commodities which are acquired at prices considerably higher than world prices. Otherwise, the programing of such commodities may very quickly absorb the food aid budget and thereby disrupt normal program operations.

FOR BETTER OVERSIGHT: A SPECIAL TASK FORCE

My bill also establishes new procedures for periodic evaluation of title II and title III program operations. Such a cross-country review can be a useful mechanism to locate strengths and weaknesses in programing, to apply successful approaches in one region to programs in another and to help both the Congress and the President to make constructive changes in the operations of Public Law 480.

Finally, I am proposing that the President create a task force to immediately begin a comprehensive review of the handling, storage, transportation and administrative procedures under Public Law 480. I am deeply concerned about allegations of improprieties by businesses which contract services under Public Law 480. I feel that constructive changes in the operations of Public Law 480 might well be developed through such a review.

For those reasons, my bill would direct the President to establish a special task force to study the organizational arrangements on the administration of Public Law 480, criteria and procedures for the allocation of concessional financing under title I, quality control and storage of Public Law 480 commodities, and contractor services provided under this act.

This task force would submit a report, along with recommendations, to the Congress after 18 months of study.

Mr. President, the proposals I am offering today, I believe, represent a positive step forward in making Public Law 480 an even more effective vehicle for food and development assistance. My bill is the culmination of 3 years of intensive study which included consultations with a wide range of people involved in food and development assistance.

The consideration of the extension of the Public Law 480 offers an opportunity for innovation and imagination with respect to our food-for-peace program. I ask my colleagues to support these efforts and join in strengthening the legislative structure of the activities we all proudly describe as "food for peace."

[Excerpts from S. 275 as introduced.]

S. 275

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TITLE IX—PUBLIC LAW 480

CONFORMING AMENDMENT

SEC. 901. Section 103 (b) of the Agricultural Trade Development and Assistance Act of 1954, as amended, is amended by striking out "in section 106(b) (2)" and inserting in lieu thereof "in section 106(b) (2) and section 112."

MODIFICATION OF TITLE I ALLOCATION FORMULA

SEC. 902. Section 111 of the Agricultural Trade Development and Assistance Act of 1954, as amended, is amended, by inserting "(a)" immediately after the section designation, and by adding at the end thereof a new subsection (b) as follows:

"(b) If the President determines that the quantity of commodities otherwise required to be allocated under subsection (a) of this section to countries with an annual per capita gross national product of \$300 or less cannot be effectively used to carry out the humanitarian purposes of this title, the President may reallocate such commodities."

FACILITIES TO AID DISTRIBUTION AND CONSUMPTION OF UNITED STATES FARM COMMODITIES

SEC. 903. Title I of the Agricultural Trade Development and Assistance Act of 1954, as amended, is amended by adding at the end thereof a new section 112 as follows:

"Sec. 112 (a) Notwithstanding any other provision of this Act, the President is authorized to enter into commodity sales agreements with foreign countries or international organizations, and to use foreign currencies, including principal and interest from loan repayments, derived from such sales for the purposes described in subsection (b) of this section.

"(b) From the sales proceeds and loan repayments under this title not less than the equivalent of 5 per centum of the total value of all agreements shall be set aside and made available to the Secretary of Agriculture to finance projects, in cooperation with other appropriate agencies, that will aid in the utilization, distribution, storage, transportation, or otherwise increase foreign consumption of and markets for all United States agricultural commodities: *Provided*, That the Secretary of Agriculture may release such amounts so set aside as he determines cannot be effectively used to carry out the purposes of this section."

MODIFICATION OF TITLE II MINIMUM QUANTITY REQUIREMENT

SEC. 904. Section 201 (b) of the Agricultural Trade Development and Assistance Act of 1954, as amended, is amended to read as follows:

"(b) The quantity of agricultural commodities made available under this title to foreign governments and the agencies described under section 202 of this Act for any fiscal year shall not be less than one million five hundred thousand tons, unless the President determines and reports to Congress together with his reasons, that such quantity cannot be used effectively to carry out the purposes of this title: *Provided*, That such minimum quantity shall not exceed the total quantity of commodities determined to be available for disposition under this Act pursuant to section 401, less the quantity of commodities required to meet famine or other urgent or extraordinary relief requirements."

REIMBURSEMENT OF TRANSPORTATION COSTS

SEC. 905. Section 203 of the Agricultural Trade Development and Assistance Act of 1954, as amended, is amended as follows:

(a) by striking out the comma after the words "ports of entry abroad" and inserting in lieu thereof a semicolon;

(b) by striking out "or, in the case of landlocked countries,"; and

(c) by inserting immediately after "points of entry abroad" the following: "in the cases of (a) landlocked countries, (b) where ports cannot be used effectively because of natural or other disturbances, (c) where carriers to a specific country are unavailable, or (d) where a substantial savings in costs or time can be effected by the utilization of points of entry other than ports".

INCREASED APPROPRIATION LIMIT FOR TITLE II

SEC. 906. Section 204 of the Agricultural Trade Development and Assistance Act of 1954, as amended, is amended by striking out "\$600,000,000" and inserting in lieu thereof "\$900,000,000".

REVISION OF REPORTING REQUIREMENTS

SEC. 907. Section 408 of the Agricultural Trade Development and Assistance Act of 1954, as amended, is amended as follows:

(a) Subsection (b) is amended to read as follows:

"(b) Not later than July 1 of each calendar year, the Secretary of Agriculture shall submit to Congress a global assessment of food production and needs and planned programing of food assistance for the coming fiscal year."

(b) Subsection (c) is amended by striking out "President" and inserting in lieu thereof "Secretary of Agriculture".

EXTENSION OF THE PROGRAM

SEC. 908. Section 409 of the Agricultural Trade Development and Assistance Act of 1954, as amended, is amended by striking out "1977" and inserting in lieu thereof "1982".

* * * * *

Senator HUMPHREY. We have a fine group of witnesses with broad experience in the agricultural and development field generally and with the food aid program in particular. We have with us today Kathleen Bitterman, Coordinator of the Food-for-Peace program at AID. We will have Mr. Hjort as a leadoff witness and then Mrs. Bitterman. Following her will be Fred Sanderson of Brookings and Larry Minear, Church World Service and Lutheran World Relief. Finally, we will have Mr. Herbert Waters, president of TADCO Enterprises.

So, Mr. Hjort, let us proceed.

First, may I ask Senator Clark, do you have an opening statement?

Senator CLARK. I have a brief statement and I will put it into the record.*

* See p. 110 for the prepared statement of Senator Clark.

Senator HUMPHREY. All right, Senator.

Mr. Hjort, you are the Director of Economics of the U.S. Department of Agriculture and you understand the purpose of our hearings. We are trying to get an evaluation of our work and of the impact of Public Law 480. Also, we would like to hear any suggestion you might have for improvement as well as what limitations you might see in the program.

Please go ahead, Mr. Hjort.

Mr. HJORT. Mr. Chairman, it is indeed a pleasure to be here today. I have a prepared statement and with your permission I would like to have the statement inserted and only highlight it.*

Senator HUMPHREY. All right. We will place it in the record.

STATEMENT OF HOWARD HJORT, DIRECTOR OF AGRICULTURAL ECONOMICS, U.S. DEPARTMENT OF AGRICULTURE

Mr. HJORT. Mr. Chairman, as you know, the administration has proposed a 4-year extension of the food aid program. But also in connection with that decision the President has decided on a detailed study of the food aid program. Some people believe that the program has outlived its usefulness and others believe it should be a major form of economic aid. So what is needed on our part is to determine more clearly the extent to which we are achieving the objectives of the act, to identify more explicitly what emphasis we should be placing on these objectives.

We know for background that the United States has been and remains the world's major donor of food aid mainly through Public Law 480. But the U.S. share of the developed donor distribution of food aid dropped from over 90 percent during 1960-68 to a low of 48 percent in 1974, before going back up to 59 percent in 1975.

U.S. shipment of agricultural commodities under specified government financed programs amounted to about 40 percent of all U.S. economic aid from fiscal 1955 through September 1976. But during 1970-75 the food aid share of U.S. economic aid declined to about 26 percent.

You are very well aware of the many changes that have been made in the Public Law 480 program since its inception in 1954. Public Law 480 was created then primarily as a temporary measure to bypass foreign exchange shortages of foreign nations and to dispose of U.S. surpluses. Then in 1966 the emphasis shifted to encouraging agricultural and overall economic development abroad, combating hunger and malnutrition, promoting U.S. markets and supporting U.S. foreign policy objectives.

Most recent amendments were those in the act of 1975 that placed additional stress on the contribution of food aid to economic development with the particular encouragement for local food production in recipient countries.

In the legislative package that was discussed by the Secretary before the full committee we did make reference to several proposals for improving effectiveness of the Public Law 480 program pending a more detailed study that will soon be underway. The major proposal

* See p. 113 for the prepared statement of Mr. Hjort.

therein was the one that deals with the requirement that at least 75 percent of title I commodities be allocated to countries with a per capita GNP of \$300 or less. We propose an amendment to utilize the criterion that the World Bank's International Development Association uses. They update that criterion periodically and their most recent one increased the level from a per capita GNP of \$375 to \$520—in 1975 U.S. dollars—to account for inflation since 1970—there needs to be a correction in the prepared statement.

Senator HUMPHREY. I want to say that in the bill which I introduced that we used the same criteria as the World Bank for considering eligibility for Public Law 480.

Mr. HJORT. Right.

The rest of my statement is a response to questions that were asked and passed back to me. And, again, let me highlight those.

The first question dealt with the types of studies that have been made looking to the future in terms of the projected grain import needs of the developing countries by 1985.

The specific question: Has USDA done any studies of its own on this topic? And the answer to that is "yes". And some of them are summarized in the statement.

Second: Does USDA have any evaluation of the implications for less developed country income and growth these potentially large grain import needs? The implications in many cases are quite obvious, even though I do not know of a series of hard studies that have been done on that question. But the need for a massive agricultural development effort becomes evident when one looks at the studies that project needs as high as 100 million tons by 1985.

What should the purpose of U.S. food for peace program be in 1985 in light of these projections? I would say the simple answer is, to supporting economic development and to support agricultural development.

Should we be thinking about revising the program in any substantial way? I would say "yes." We have to continually keep it under review. We have to administer it somewhat differently and perhaps we need a legislative change also.

Before I leave the questions on the studies, I do want to say that I have reviewed several of the studies that have been done on projecting to 1985 and by and large that is what they are, projections. A projection can be useful but can also be dangerous, if one relies upon it too much. I am very doubtful that we would ever see the time when there would be 100 million tons of grain imported by the developing countries. Before that time comes something else is going to happen—changes in policy. In some cases, that quantity would be beyond the physical import capability of the countries. A projection is fine if one looks at it as an ongoing indicator that tells us we need to be making changes, both us and them.

Senator HUMPHREY. Might I interrupt you just to ask the details of the Carter administration study of Public Law 480? Whose going to carry it out and how does it relate to other forms of economic assistance? Do you have any indication of that, Mr. Hjort?

Mr. HJORT. Clearly it will be an interagency effort. The forum for coordination will likely be the economic policy group which involves

all of the major departments, and agencies of the Government. The scope of it, although it will very likely be primarily for the food aid question, will be in a broader context of total economic assistance, as I understand it. The terms and references of the study have not at this point been finalized.

Senator HUMPHREY. I provide in my proposed legislation that we establish a task force to make an indepth study of Public Law 480 operations. This task force would give special consideration to handling, storage, and administration procedures.

I might suggest that it would be helpful if the administration would take a look at what we propose in the bill. This bill is not just my bill, it is the result of staff studies that have been made here in the Committee on Agriculture as well as the Office of Technology Assessment as well as Senate Committee on Foreign Relations. This bill represents, in large measure, the intensive work of staffs over the past year.

I think it gives you some pretty good ideas of what we are thinking about.

Mr. HJORT. I could not agree more. I feel somewhat inadequate sitting here talking with you about these questions knowing how many studies you have initiated in recent months and years. And we certainly will be well advised to take those into full account.

Senator HUMPHREY. Thank you very much.

Mr. HJORT. The second set of questions that were asked is on the question of which title is the more effective, title I or title II. I come out like this: Title I may be superior to title II in terms of overall economic development; title II may be superior in terms of its effectiveness in overall social development.

Senator HUMPHREY. Yes.

Mr. HJORT. What I mean by that is title I programs are geared quite directly with overall national plans. They form a part of the development fund, if you will, for the country of concern. And if that tie is made properly and a cooperative effort or relationship is established between the two governments it can be, in my view, of great assistance.

If title I is the shotgun approach, title II is the rifle approach. We are going directly to specific programs and specific projects and specific problems and, in fact, in places where I am familiar with them, they are working very closely with infants and mothers on basic nutritional needs.

So I say from the social welfare standpoint, title II is more effective.

Senator HUMPHREY. They are actually complementary requirements.

Mr. HJORT. That is right, it is a case of complementarity.

The answer to the question is elaborated on in my statement.

Senator HUMPHREY. Yes.

Mr. HJORT. The third series of questions is on the problem of the depressing impact of title I commodities in major recipient nations.

Senator HUMPHREY. Price depressant.

Mr. HJORT. Price depressing and agricultural development depressing.

Senator HUMPHREY. Yes.

Mr. HJORT. And what can be done to reduce or eliminate that problem.

First of all the studies that I have seen provide mixed views on that question. There have been illustrations where it would appear that the food aid component has depressed the incentive for agricultural development. But in my view I do not think that is a serious problem nor need it be a serious problem if the country of concern has a set of price and income support programs for both input and output. Most of the countries do and that is the important part. We do not want to reduce the incentive to produce in these countries of concern, while we are providing food aid. But I do not think that it is an impossible problem by any means.

In the support program, for example, India's price support on wheat is well above our own today. And above what we have proposed for 1978. That to me is an illustration.

The other part of the answer to that question gets into a broader context. What we are talking about is providing food aid as assistance for economic or agricultural development. Now, does it make any difference if it is food or if it is money? Or does it make any difference if it is food or if it is military equipment? I think it does.

I think the component that we have available to give them is the food and that we should try to use it in a very effective manner and I believe by doing so both we and they can be the beneficiaries.

Senator LUGAR. Mr. Hjort, do you attempt to gage country by country the situation of that country's agricultural industry? In other words, presume a study on Bangladesh, for example, to try to find its needs. You say that there have been few studies made on Public Law 480, but presumably we have some idea of what the impact has been on price, on marketing, on disincentive for additional development.

I suppose the question—or the answer is, a general one. But what sort of guidelines, or are there guidelines set up as to what you hope will be occurring within that country as either a condition of our continued aid both in terms of agricultural production and population increase or stabilization, or do you have guidelines of that sort?

Mr. HJORT. Well, certainly we would have guidelines.

First, going back to what I was referring to in the studies that have been made. Those are essentially looking backward and they are useful studies for what they do tell us about that point in time. There is another kind of continuing, ongoing assessment that is essential for an effective food aid program, I would say, and that is a world food and agricultural information system which lets us know as precisely as the state of the art will permit how much their production is, what their consumption requirements happen to be in the coming year, so one can tailor things very carefully. Then you need not get into a situation where there is wastage and you need not get into a situation where there is, in fact, famine simply because you do not know about it in time.

As far as the general criteria that you would use, I visualize that food aid ties in very much with the development objectives in the country concerned. And it does therefore have to be a country-by-country review and the task is to see if their plans are plans that we believe in and should work with them on and if that is the case then I would

say we have the basis for a productive, cooperative relationship. And in some cases that may mean that population growth is a major problem. In some other countries it may not be.

Agricultural production is always a problem in the poorer countries. It is also true that if any of these past studies or these projections into the future have any validity at all they are telling us that we are not going to have the capacity to provide the food aid for the world all the way through time. Somewhere out there the burden becomes massive. So it is the developing countries that will have to improve their production performance.

So I think we have to be very, very careful when we provide food aid so that we do not destroy that incentive for them to increase their production. But we do not have to.

Senator LUGAR. Just for my understanding, each country has a plan of its own and we therefore are simply approving or disapproving plans formulated by other countries. And before we can come forward with Public Law 480 shipments we have approved essentially their plan and the fact that they have a sound one for agricultural development. Is that right?

Mr. HJORT. Well, we are talking now more about the way we would like to see it, I think, rather than probably the way it has been going.

We have operated primarily under a single-year contract which is not very conducive to real assistance programs that tie in with the development objective. But in fact, yes, we try to operate with knowledge of the countries which do operate under a 5-year plan where they go through their internal reviews, aided by external reviews, looking to development assistance that is going to be available to the country concerned. And they put forth a plan and they try to go ahead and achieve the objectives of that plan.

Now, the food aid either implicitly or explicitly becomes a part of the development assistance that helps them implement that plan with an annual contract. In my view it becomes more desirable to have multiyear contracts to assist them. It does not mean because we agree to provide food assistance that we put our stamp of approval on every component of their overall development plan. There are specific parts we can tie to if we so desire, and other parts we may not associate ourselves with.

But in an overall general way wherever we provide food aid assistance we are going to be in effect supporting that overall development plan for that country.

Senator HUMPHREY. However, I think it should be noted that in recent foreign aid legislation, we do have certain specifications regarding contracting with the recipient countries for title I. Some of the funds generated from title I will be made available to improve docking and storage facilities. Why? Because we have had such terrible losses over the years under Public Law 480.

We ask that contracts be made between the host country and ourselves. Let's take the country of Egypt for example. The funds generated from the sale of goods through Public Law 480, title I, will be used to aid rural housing, farmer cooperatives, etc., so that we in a sense do impose our will on the recipient, not as an imposition, but as a matter of encouragement. In other words, our people sit down and work out a contract, regrettably on a 1-year basis.

But in each of the 1-year contracts there are certain things stipulated on how the funds generated will be used. For example, we obtain a certain percentage of those funds for the use by our Embassies, for cultural exchanges, market development, and so forth. I think that this part of the program has been improved over the last 2 or 3 years. But most importantly the emphasis should be on agricultural development and AID's role in that process.

Mr. HJORT. Right.

Senator LUGAR. Such as foreign aid?

Senator HUMPHREY. Yes.

Senator LUGAR. One quick question.

If there were people testifying here today before this subcommittee who were ministers of food in these many countries, or recipients, can you make any general judgment or comment about what their feelings would be about this program? Maybe this would not be implicit in some of the testimony that we get but just as a matter of curiosity this dealing with the program over a course of time, what sort of expressions would those who are recipients make presently in suggesting what we ought to do?

Mr. HJORT. I do not really know how to generalize this. Overall the attitude would be one of considerable appreciation. And the volumes and the amounts that have gone from this country are, in fact, substantial.

You will find people who would be seriously concerned. I know personally of some that were in 1974 when, just when the country needed the assistance the worst, the contracts were canceled because supplies were tight. The people who were involved in that country at that time were concerned about the way the decision was based. It was simply a cable that came to our attaché and he was told to inform them that the contract that had previously been signed was null and void. They could not have a very good feeling about it.

Senator LUGAR. Do farmers feel good about it in those countries, as opposed to governmental officials?

Mr. HJORT. I am familiar with India's program, for example, more than I am most other countries, and India's support level is about \$3.25 a bushel on wheat and the imported wheat goes into the urban areas; the farmers themselves would not see much of the food aid wheat. As long as their development support mechanism is working there would be no problem. Now, it does break down at times—and from farmers, no matter where they are, there may be some opposition. But this was the point I was making earlier. We do have to see to it that the price support levels that they have in their countries are incentive levels for them so that we are not destroying the incentive of the entire country.

Senator HUMPHREY. Go right ahead.

Mr. HJORT. The next question was a rather difficult one, if I may say so. It said: How can we avoid wastage of food aid and even disruption of recipient countries prices, trade and production when food aid is used to dispose of U.S. agricultural surpluses? The point I think, the overall context within which the answer to this question comes, is that weather is a key factor in what happens in the world, in developing countries as well as developed ones. So we are going to have tem-

porary periods where we will have excess supplies and there will be times when we have deficiencies. The task is to have a reserve system of some sort, preferably on a worldwide basis where you capture some of that excess in those good weather years and save it for those years when the weather is not so good.

That will not completely eliminate the pressures to move commodities when the supplies are in excess. But another way of helping to prevent the adverse consequences that can be associated with putting in too much, is again a good intelligence system that lets us know what the needs are and to use that to guide our programing activities. We do not do people a service there or here if we have commodities lying on docks going to waste.

Senator HUMPHREY. By the way, your paper does have a number of specifics in this matter which I think are very credible and very helpful, for example the use of chemicals to prevent deterioration and so forth.

Mr. HJORT. The next point we briefly alluded to already is the cut in U.S. food aid in 1973 and 1974 due to food shortages and high food prices. And the question is: Is there any way to avoid in the future having to cut back food aid to recipient countries when they need it most? And the other side of that is: Or to waste it when supplies are excessive? And I think in general the answer previously given, or the comment I previously have given covers this pretty well.

The multiyear concept, I think, is very important. The idea of reserves—and the chairman has introduced a bill—we do not have a firm position on that yet. But the Secretary is at least inclined to be supportive of a decision that would provide some reserves tied to multi-year food aid contracts and our food-aid commitments.

The last question: What past successes do you see in developing markets abroad for U.S. agricultural exports? And the answer here documents the fact that in many countries we have had rather substantial successes where we first lent a helping hand to countries and now they have become major commercial markets for our farm products. And I see no reason why, with carefully administered programs, we cannot continue to have a record like this 5 years from now, 10 years from now, or whatever. There have been several countries that moved from being food aid recipients to being major commercial markets.

Senator HUMPHREY. I would like to get a report from the Department of Agriculture as to the amount of soybeans being purchased from the United States as compared with the amount being acquired from Brazil over the last 5 years. It is my judgment that we have lost a lot of the market and I would like to find out.

Also, I would like to see what other areas of market development we might foresee, especially for wheat and soybeans. The Wheat Growers Association is using Public Law 480 funds and they have done an amazing job. Actually as I recollect, Washington and Oregon have their own special marketing programs.

These markets will be highly competitive and we ought to protect our interests and not just look upon title I and title II of Public Law 480 as a way to dispose of our commodities. We need commercial sales.

The Soviets and the Swedes export wheat as well as the Argentines and the Australians.

Now, how many of those countries have gone into the type of Public Law 480 such as we have is questionable? I know at the World Food Conference they were more generous. As a matter of fact, the Scandinavian countries came up with most of the money for agriculture and food assistance. But I want to put the department on notice, in a friendly way, that we need to not only think about how we can improve Public Law 480 but how does Public Law 480 fashion marketing availability on one hand and ultimately be able to pull back when the time is proper so that the commercial development proceeds. Because there is a tendency, whenever you have excess crops, to look to title I. Title II is essentially a social project, that reflects the humanitarian impulses of the American people.

But title I can be substituted for commercial sales and I think we have to watch this.

Senator Clark, we will take it on the basis of who is first in. Do you have questions?

Senator CLARK. Just a few.

You mentioned an administration study of the food aid program. When is that to be completed?

Mr. HJORT. Generally we are talking in terms of a study that will probably take most of the year to complete.

Senator CLARK. When was it started?

Mr. HJORT. It is about to be started.

Senator CLARK. I see.

Mr. HJORT. It was part of the Presidential decision in deciding to extend the program for 4 years. And he at the same time asked for the study to be done.

Senator CLARK. What will that show or try to show from the study?

Mr. HJORT. It will look at the whole question of food aid going all the way from asking has it outlived its usefulness to asking is this a major program of economic assistance. It will not be limited to the internal mechanics of the program but also will examine it as a cross-over form of economic assistance.

Senator CLARK. Does the administration now examine prices and agricultural incentives in respective food aid recipient countries? I gather from your earlier answers they do not.

Mr. HJORT. Well, I think they do to some degree. How explicitly, I am not sure. I just came over there and I am not sure at all what the exact procedures are.

Senator CLARK. As you say in your answer here title I is basically an economic program, with transfers of resources as a way of trying to help recipient countries by making it possible for them to sell title I on their market and get some local currency for their own development purposes or their own import purposes or so forth.

Title II is more of a social program. Now, is it incorrect then to think of title I really as a program to help hungry people or is that also its purpose? It seems to me if we make the distinction between title I and title II as economic and social programs respectively, then you are saying it is not all that important whether title I

food feeds people that would not otherwise eat, but rather it is simply a transfer of resources and is meant to buck up their budget in effect. Is that fair or can you elaborate a little on that?

Mr. HJORT. I think those objectives are served. It is in fact a form of developmental assistance because it does have a budget impact. It does generate currency.

Senator CLARK. Right.

Mr. HJORT. By the way the program operates. But at the same time the food goes typically through distribution systems, ration cards and so on and so it does get to the people. Some of those people who rely upon the distribution systems would not be eating as well.

Senator CLARK. What kind of controls do we have to assure that title I food gets to people who are hungry or who would not otherwise get food? Do we not simply give credits to these countries and they in turn buy the food and it is then available for them to do with as they please or do we have some control over that?

Mr. HJORT. Anytime when one is developing the agreement, a whole series of factors will be taken into account.

For a specific answer to your question I am going to defer to the AID program people who are more closely involved in these countries.

Senator CLARK. We are going to hear from them later?

Senator HUMPHREY. Yes; we are.

Senator CLARK. You say somewhere in your answers that title II could be a social program—feeding children and pregnant mothers and several other groups that you list here. First of all, is it possible to significantly expand that program over a period of years?

Mr. HJORT. I think it is more difficult to expand rapidly the specific programs and in any case it is a fairly high cost way because you need almost individual attention and if the country has a general food distribution system that the commodities flow into, one can expand those programs more rapidly.

Senator CLARK. Well, that is understandable. In other words, you can take a shipload of wheat and turn it over to a country a lot easier than you can provide it in programs where it is delivered directly to the schools or the mothers and so forth.

But I have often thought if the primary goal of the food for peace program is to feed people who would not otherwise eat, to feed people that are badly malnourished, it would seem to me both sensible and practical to put more of our resources in that part of the program rather than in title I. Yet we have spent only 22 percent of our resources historically, according to your testimony, in title II.

Why would it not make more sense to simply and conservatively extend that title to programs—

Mr. HJORT. I think it is not a problem of finding areas where you can expand it. It is a matter of structuring programs. It is a fairly high cost way.

Senator CLARK. Yes.

Mr. HJORT. The proportion of the people served under the title II programs, the proportion of the world's poor, the people who meet eligibility criteria under that program, I do not know what the percentage is. I would judge—

Senator CLARK. That they are very small?

Mr. HJORT. It is very small.

Senator CLARK. Then it seems to me if that is the case—and I agree with you—we are talking about \$600 million, are we not?

Mr. HJORT. Right.

Senator CLARK. In title II?

Mr. HJORT. Right.

Senator CLARK. And talking about expanding it to \$750 million?

Mr. HJORT. Right.

Senator CLARK. Admittedly that is very small. But I guess it depends on where one wants to put the emphasis. It is there to feed malnourished people principally. The vast majority of Americans think that is the type of program it is. And in that case it seems to me that title II ought to have the heaviest emphasis.

The other thing that strikes me about it is the kind of programs, is that as far as I know, under title II we have never had the Bangladesh storage or incentive problem. Title I may be good for surplus disposal and the recipient government is getting budget support; but it maybe counterproductive in some cases. At least some studies indicate that this has been time under title I, if the commodities are not carefully programed. But it seems in title II we do not have these inherent problems.

What is your reaction to that?

Mr. HJORT. My general feeling is that it is not really a matter of a trade-off. They complement each other rather than compete. Another way of characterizing it is that it is doing a little bit for a lot of people versus doing a lot for a few.

Senator CLARK. Title I, you mean?

Mr. HJORT. Title I does a little bit for a lot of people and title II does quite a lot for a relative few. I do not think we need to cancel out one, or should cancel out one in favor of the other. I think they both need to be continued. If we were going to go and try to reach as many people through title II as the title I reaches—I do not know how many—it would be a factor of several.

Senator CLARK. I understand that.

Mr. HJORT. In terms of cost.

Senator CLARK. I am thinking of problems of budgetary restraint. Pick an arbitrary figure of \$3 billion. I wonder if it would not be a wiser investment to put a little higher percentage than 22 percent of those billions in title II given the motives of it as distinguished from what we have been doing in the past.

I hope somebody has a time on me. Are you keeping a time? I think I have got about 2 more minutes. We are under the 10-minute rule, are we not, Hubert?

Senator HUMPHREY. You are doing fine, Senator Clark.

Mr. HJORT. It may be. I am not prepared to make a judgment on what that specific allocation should be. I would say, and I think that it would be very appropriate, to probe this with the AID representative.

Senator CLARK. Yes.

Mr. HJORT. But from my own experience in living in developing countries and being a consultant there it is fairly difficult to develop these projects. And I think we would find that with a very rapid shift in funds we would start getting some of these associated problems.

Senator CLARK. Yes. I would not want to change too much.

Mr. HJORT. It is a relatively slow growth.

Senator CLARK. It was much larger at one time, was it not, and it seemed to be handled effectively? I think at one point it was significant.

Thank you very much.

I think my time is about up.

Senator HUMPHREY. Senator Lugar?

Senator LUGAR. Mr. Hjort, let me ask if you have read this critical article in the New York Times, on the food for peace program?

Mr. HJORT. I scanned it. I did not study it carefully.

Senator LUGAR. The burden of her analysis is that a great deal of good has occurred but that over the course of 10 or 20 years, there ought to be a phaseout of Public Law 480 because of the fact that it was essentially based upon a time in history of the world when we had agricultural surpluses in this country. In the post-1974 period this was either not true or less true so that there are a number of conflicting things we have talked about here today.

The feeling of the author, and the feeling which I share is that by and large, it is obscure to the American public altogether, how decisions have been made as to who gets what and which particular motivation might predominate in a given year. And maybe that has to be the nature of the program in a very pragmatic way which totals up the score of what food resources are available and see what good might come from distributing it in a number of ways.

But that is a less satisfactory program explanation than that which I think will be demanded ultimately by the public.

What I suppose I want to ask you is, are we in a situation now which is substantially different in terms of the stringencies of food shortages or at least a diminishing supply, and if that is the case what are our objectives?

Getting back to Senator Clark's question again, is our goal going to be that generally understood by the public as a humanitarian goal of feeding people who would otherwise starve or are we continuing with a slow market development goal which is encouraged in all of this, and in crops in which we have surpluses so that we can find places to move those surpluses along? It just seems to me right now that the motivation is so fuzzy that even though you take for granted all of these things might occur, the administration and this committee and maybe the Congress will have to articulate better reasons for distribution of the dollars that are available and the people in this country should be informed of that motivation.

You answered my previous question by saying that we will take a look at individual plans for countries and that we can only work year by year rather than through a multiyear plan. I question whether the public, right now, knows what is occurring in this program and what the Department or the Congress really wants to occur.

Can you make a further general comment about this?

Mr. HJORT. Well, first, on your question, where is the world relative to scarcity or shortage. The pendulum this year has swung back toward excess, particularly in wheat.

In 1975 the world rice production was rather high and high enough to generate some stocks. In 1976 world wheat production was record high and high enough to generate some stocks. Today the total world

reserve, the world stocks of grain are a little higher than they were in mid-1972 but somewhat below stocks a few years prior to that.

So we are a little closer to that thin line between too little and too much where nobody knows where we go from here. It is a factor of the weather and a series of things.

It seems to be the general agreement that if we look far enough out into the future food supplies are going to be quite tight, resources pressed. But I think there is also general agreement that between now and then, whatever that is, we are going to have periods when there will be excess supplies and times when what is produced in that area is not adequate to meet the market requirements in terms of commitment.

But that says to me when we look forward and think about a program like this we do have to think about our total posture with respect to exports of agricultural commodities. It does seem to me to provide justification for national and international reserves to protect against those times. And I think it does imply to me that long-term multiyear contracting is much better for overall economic assistance or development assistance.

And it also seems to me that we will continue to be a major exporter of agricultural products. We can keep our agricultural resources more fully employed if we provide some of our assistance in the form of food and agricultural products than if we say, no, we are going to do it that way; we are going to provide it in money.

I think that under the latter we clearly lose as a society because we take the money off the top and put constraints on our agricultural sector and it sits out there producing less than it can and we lose that revenue and source of economic growth in our national economy.

Obviously there are a lot of variables here and a lot of factors that influence what one can and should do. What I am saying is if we can take our food aid commitment very seriously and if we look at the flexibility that we now have in those programs for example, it seems to me we could have bilateral agreements with developing countries just as easily as we can have a bilateral agreement with Russia. And we can have terms and conditions that go all the way from almost free food on up to full commercial financing.

I do not see why we cannot have an agreement with a country where we have both Public Law 480 and commercial requirements. As a matter of fact, Mr. Chairman, in view of your earlier remarks, you would be interested to know that I have asked the Department for a study of all of the means that have been provided us by the Congress to facilitate our exports—market development, Public Law 480, CCC credits, international agreements, the whole series of things. But multi-year contracts is an integral part.

Senator LUGAR. Those are the ways you interfere with commerce so that you have these things coordinated and you might be able to inform all the powers that be, that for example, Egypt was in line for a commercial sale as opposed to title I?

Mr. HJORT. Yes.

Senator LUGAR. Is one reason to be given to the American public on Public Law 480 that we believe that in the long run our agricultural industry in the country will be under even greater pressure to provide food for this country and the world as the amounts of food will con-

tinue to decline relative to the people on the face of the Earth and therefore Public Law 480 in a very real sense is a way of strengthening that industry, the agricultural industry in this country, over their intermediate period by guaranteeing a substantial amount of sales.

Now we are able to sprinkle those sales in various markets through various ways but essentially this is a program that covers the demands year in and year out for farm products in this country and gives great assurance to farmers that there will be a market and to encourage them to stay in business over this interim period and future periods when we need them more?

Mr. HJORT. I would look at it more from a recipient country's point of view and go back to the statement I made earlier that I do not believe we are going to see the day when developing countries are importing 100 million tons of grain. They have to be able to produce more themselves. Their own farms and programs have to improve. And I see nothing inconsistent with providing food aid as a device to help them facilitate their agricultural development.

The main reason people are critical is that it sounds contradictory in terms. But I see no reason why we cannot operate a program that will provide food aid as a major form of assistance to their agricultural development.

Senator LUGAR. That is the incentive and not a disincentive?

Mr. HJORT. Right.

Senator LUGAR. All right.

Senator HUMPHREY. Senator Dole?

Senator DOLE. The Budget Committee is taking up the agriculture situation now and I have to be there.

Senator HUMPHREY. By all means.

Senator DOLE. Public Law 480 exports are only about 5 percent of total farm exports. I think the total is about \$22 billion that we're talking about with Public Law 480 being slightly more than \$1 billion, so it is not a big percentage of total exports, 5 percent, maybe a little more. And it has been of course a program of many facets. One, of course, was to try to stabilize—if that is the correct word—declining domestic farm prices. That is when you initiate this program and properly is the primary purpose. Though humanitarian, it is also attractive as far as trying to help people on the farm. Without some new export outlets there would be a difficulty in maintaining farm income. But one thing we can do of course is to help farmers income through proper programing of Public Law 480, title I or title II and I just hope you are going to provide strong leadership in that area. It is a great help to the market sometime if exports are kept moving and not built up as surpluses.

Senator HUMPHREY. Very definitely.

Senator DOLE. There is nothing new on soybeans as far as any restraints?

Mr. HJORT. No, sir, there is not.

Senator DOLE. You do not have any embargos at this time?

Mr. HJORT. There have been rumors all over the country that there were meetings going on about embargos which were on the way, and there is none to my knowledge.

Senator DOLE. I was primarily thinking about Indiana where I was asked if embargos on soybeans were on the way.

If I can, Mr. Chairman, I will submit some questions.

[Questions submitted by Senator Dole to Mr. Hjort and answers thereto:]

Senator DOLE. Mr. Hjort, you mentioned in your statement that shipment of major grains under Public Law 480 declined from 7.6 million tons in fiscal year 1972, to 2.3 million tons in fiscal year 1974, a food short year. Now, I readily understand the desirability of maintaining a strong program, but my question is: how would you have gone about keeping the level of food assistance up in view of section 401 requirements which allows for domestic use, adequate carryover, and commercial exports first?

Would you have taken it from the domestic use with resultant inflation or would you have embargoed food aid quantities from commercial exports?

Mr. HJORT. I would, as the administration has, request the Congress to amend section 401 to allow for food aid commitments, and would make sure our reserves were large enough to enable us to satisfy the real food aid needs at all times.

Senator DOLE. I believe that the timely programing of Public Law 480 commodities can provide needed income support for farmers during periods of depressed prices.

Mr. Hjort, will the USDA provide strong leadership with other executive branch agencies to help support farm income in this manner?

Mr. HJORT. We will use the full range of programs available to us in helping to support farm income. The situation at any particular time will determine where among these programs we place the greatest emphasis. We will certainly use Public Law 480 as one of the many tools. When farm prices are weak, USDA will work to expand exports to the fullest extent possible.

Senator DOLE. Give me some examples of countries that have graduated from the food assistance category and are now good commercial markets for U.S. farm products.

Has the 75/25 requirement for food allocations hurt this progression?

Mr. HJORT. Almost all major recipients of Public Law 480 have substantially increased their commercial purchases of U.S. farm products. Taiwan and Brazil are excellent examples of developing countries that have graduated from being principal title I recipients in the mid-1960's to being the 11th and 13th major commercial markets for U.S. farm exports in fiscal 1976. Iran, Peru, and Colombia are other developing countries that were formerly title I recipients who have substantially increased their commercial imports of U.S. farm products since the early 1970's. In fiscal 1975, Iran was our 9th best commercial customer. Large oil revenues stimulated their imports from the United States.

Several current major title I recipients, such as Korea, India, Indonesia, Egypt, and Israel, have also greatly expanded their commercial farm imports from the United States. For example, in fiscal 1976, India was the 8th largest commercial market for U.S. farm products—up from 18th place in 1974. Since fiscal 1972, Korea has been one of the 10 leading commercial customers for U.S. farm products.

During the first decade of Public Law 480, two developed countries—Japan and Spain, for example, were major title I recipients. They have since been among our top commercial customers.

As developing countries strengthen their economies and increase their finances, they begin importing more commercial farm products and other commodities from the United States. In fiscal 1976, 28 percent of all our commercial farm sales went to developing countries compared with only 16 percent of all commercial sales a decade earlier. In fact, in 1976, U.S. commercial exports represented over four-fifths of all U.S. farm exports to developing countries compared with 40 percent to these countries 10 years earlier.

The 75/25 requirement for food allocation has not been in effect long enough to observe the possible impact on the progression of countries from the food assistance category to commercial markets. Preliminary evidence indicates that this requirement has not adversely affected the increase in U.S. commercial sales to title I countries. U.S. "commercial" agricultural exports to India, for example, customarily the largest recipient under title I and with a per capita GNP of less than \$300, increased 15 percent in fiscal 1976 over U.S. commercial farm exports to that country in the previous fiscal year.

Senator DOLE. I would like the rationale as to why nonprice support commodities are not now considered for inclusion in Public Law 480 programs.

Mr. HJORT. USDA favors programing non-price-support commodities for Public Law 480 programs but OMB must approve the budgeting of all Public Law 480 commodities. They apparently believe it is desirable to give preference to the price supported commodities in Public Law 480 programing. The use of beans and peas for Public Law 480 was approved when they were under an ACSC program. In 1975 and 1976 however, even though beans and peas were not under any government program, OMB approved their use, but not since then.

Senator DOLE. I understand that the rates of increase in agricultural production in developing countries have compared favorably for some years with those of developed nations, but that those increases have been nullified in large part by high rates of population increases.

My question is this: Is there any solution to the food problem; say, by the year 2000, unless developing countries are able to slow their rate of population increases?

Mr. HJORT. Food production in the developing countries has grown rapidly during the past two and one-half decades and has even exceeded the growth of food production in the developing countries. However, because of rapid rates of population growth in the developing countries, 2.5 percent per year or more, food production per capita has improved only slightly and in some regions, e.g., Africa, has declined.

The rate of growth in world population apparently has peaked. Even so, the most rapid growth is in the developing countries. The developing countries will have to continue to reduce population growth rates and increase their own production of food. If they can, they will have a more rapid rate of economic growth which, according to the evidence, will stimulate the demand for farm and non-farm products.

Senator HUMPHREY. Please.

I will take my 5 minutes here and then move to the next witness.

I think since I was so deeply involved in this in the early days of my Senate career and have had a long-term interest, I would like to say a few things that administrators should recognize.

Back in the early days of the kings and castles and so forth, they always used to talk about the old king that had the alchemist bound up in the castle and gave him metal and expected him to turn it into gold. This is what we did with Public Law 480. The first thing I did with Public Law 480 was that I put in an amendment for \$150 million for food aid as a part of our overall program. Then we had a \$6 billion foreign assistance program which was fantastic in terms of what it would be today.

I remember that Harold Stassen was then the administrator and we attached to the program \$150 million to use for food production instead of money. We had a terrible time. When Mr. Stassen first agreed to it as an administrator, the word then came down from the administration that they did not want to do it. We had a big fight as to whether we could take the record of the Foreign Relations Committee and read it in the Senate and prove what had transpired.

Be that as it may, we joined together and wrote Public Law 480. The public was very sympathetic. We had huge surpluses and decided to use Public Law 480 for two reasons—humanitarian on the one hand, and economic developmental assistance on the other hand and, at the same time, being of help to our farmers.

We need a good agricultural base. Senator Dole pointed out the importance of some kind of program that meets the needs of the American producer. Because you have got some choices. You can cut back acreage in a hungry world, which is immoral; or program production for a hungry world that feeds people on the one hand and permits farmers to grow produce on the other. One is about as expensive as the other.

Or put another way, one does not cost more than the other. It depends on what you want to do with your resources. But title I destroys primary budgetary support. I have seen housing in Latin America produced out of funds generated from title I; as well as farm cooperatives and farmer loans.

I was in Indonesia as Vice President and saw what our Public Law 480 was doing there. Our Public Law 480 was financing irrigation.

But also I have seen, for example, in Morocco and Tunisia, a work program where people built roads, cleaned up lands, and engaged in soil conservation. In all cases we paid workers in actual food stuffs.

The basic thing to keep in mind under title I is every contract is a separate agreement and each lays out how the money that is generated will be spent. It does not just go for budget. It may, in part, go for budgetary support. But how do you relieve poverty? By clinics, a little health facility, by farm to market roads, by a loan to a farmer, by helping to achieve comfort?

Title II does one thing, just puts something in your belly, period. That relieves human suffering. But there is nothing left after that.

There is the best part of title I which is in terms of what it generates, infrastructure if it is properly used. Now, title I can be used for this because of some of our charitable organizations and churches which have used this. But title I is the big one.

The other point is, I think, that title I is for the humanitarian assistance.

There is no doubt some governments abuse the use of title I. Governments are institutions and we have to keep our eye on them.

Senator LUGAR. "It's Time to End the Food for Peace."

Senator HUMPHREY. The reason for that is it is just exactly like the oil embargo, when President Nixon says the crisis is over, the oil embargo is over. We Americans are nuts. The minute we get a little affluence we think everything is going to be jolly here on out. The facts tell us—and I hope Mr. Hjort will be emphasizing it repeatedly—that the race between population and food and income and food is tight because as incomes goes up, food consumption goes up. Every year this race remains tight and every year there are literally millions of people dying of starvation in the world.

What we really ought to be dealing with in the food program is to quit dillydallying around with it. We ought to have a comprehensive food program just as we had a NASA program. We ought to decide to put every man and woman on their feet instead of putting just somebody on the Moon. And we could do it with a major international and domestic food program. That is what we have got to do. There is no way we can feed the world. The reason why Public Law 480 is under the general administration of AID is because it ties in with the developmental assistance and if used properly it could be the best tool we have got.

Mr. Hjort, I support your testimony. I am a strong advocate of this program and also a strong critic of it at times with the regrettable mismanagement. I think some points brought out here show very clearly that Public Law 480 not properly administered can be a price depressant to the local people. You have got to be careful. But also it is an inflation curb; 80 percent of the 90, 80 to 90 percent of the

income of poor people is spent in the world for food. The rest is for whatever else they have.

So whatever you can do to ease that burden is the best thing you can do for humanitarian purposes.

Mrs. Kathleen S. Bitterman?

Mrs. Bitterman is the Coordinator of the Office of Food for Peace with the Agency for International Development.

Mrs. BITTERMAN. Mr. Chairman, I do have a statement and I will summarize it.*

Senator HUMPHREY. You have heard the questions here so I would like you to direct your attention as much as possible to them. And Senator Dole, if he gets back, will have some questions. If not, he will submit them for the record.

Mrs. BITTERMAN. Would you like me to just respond to questions?

Senator HUMPHREY. All right.

STATEMENT OF KATHLEEN S. BITTERMAN, COORDINATOR OF THE OFFICE OF FOOD FOR PEACE, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mrs. BITTERMAN. Although Public Law 480 is a multipurpose statute that includes trade expansion, development of markets, and other foreign policy concerns among its objectives, the program has provided strong support to U.S. economic development objectives.

First, there is a strong link to economic development which is the improved nutrition which title I and title II programs provide. Ironically, this factor is often overlooked as food aid and nutrition activities are more often associated with humanitarian rather than development objectives.

Senator HUMPHREY. I want you to tell us what happens under that aspect of it.

Mrs. BITTERMAN. Yes.

It is clear that an adequate level of nutrition is essential to development. Conversely, malnutrition increases susceptibility to debilitating disease and serious malnutrition has direct debilitating consequences, especially for the young. Both effects have negative consequences for development.

Second, food sales under title I provide resources transfers which enable scarce foreign exchange holdings to be channeled into development efforts.

Third, title I assistance provides the backup resource which can encourage developing countries to undertake new policies aimed at increasing food production which might otherwise be risky without an assured supply of food.

Fourth, proceeds generated from the sale of title I commodities may be used by developing nations to finance programs of agricultural production, rural development, nutritional improvements, and population planning.

Finally, under the donation program food provided as part payment of wages in public work programs help construct and expand infra-

* See p. 118 for the prepared statement of Mrs. Bitterman.

structural facilities such as rural roads, wells, irrigation, et cetera, that are a vital part of programs designed to increase agricultural production.

On balance over the years Public Law 480 programs have had a strong positive impact on development. This is not to say that there are no aspects of the 480 programs which are in conflict with or hinder the realization of development goals.

Developing governments' policies regarding food imports, pricing incentives, agriculture production, et cetera are fundamental to the effective use of Public Law 480 programs as a positive development tool. In the cases of Japan, Taiwan, and Korea, large-scale imports of Public Law 480 commodities were complementary to successful efforts to increasing agricultural productivity. The record in Pakistan and India has been mixed but by no means negative.

Although in many instances the United States has limited ability to influence other governments' policies in the area of food production we must make every effort to insure the food aid programs work in tandem with our dollar assistance activities and with the development efforts of recipients themselves.

Looking to the future, in our judgment a continued food aid program will be essential. While estimates vary somewhat depending upon such assumptions as population growth, level of inputs, et cetera, most experts agree that the grain deficits in LDC's will grow significantly, perhaps as much as threefold or fourfold by 1985, unless appropriate production and population needs are taken into consideration. The ultimate solution of this problem will be food production increases in the LDC's. Food aid will be crucial as a part of the development strategy which seeks a better balance between food production and population growth.

While the need for a continued food aid program is clear the development impact of the program can be further strengthened.

As Mr. Hjort has said, the President has directed that a study be undertaken within the executive branch to find ways in which the development link can be further strengthened.

I would like to answer the question that Senator Clark posed with respect to the title II operations.

Senator HUMPHREY. Please go ahead.

Mrs. BITTERMAN. I think, Senator, in the present form there would certainly be room for improvement. In this case the principal problem is not just the resources of this country but the ability of the receiving countries to put resources into title II programs. The receiving countries pay internal costs—for example, internal transportation, warehousing, distribution, and facilities for distributing the food. And in very poor countries it may not be possible for them to start new programs or expand existing programs.

You also mentioned that in the past larger amounts of food were distributed under title II. That is so; however, we decided that the program would be more effective if the food were used for the most vulnerable groups—through maternal child health programs, and food for work. In the past there was a large amount of dole feeding and school feeding programs. I have nothing against school feeding, but

we think that we should have an arrangement with the countries to phase up their contributions as we phase down. We found for example, I believe in Korea where we had a large school feeding program, when we withdrew our contributions, the Korean Government did not continue the program. Therefore we do not think that is a very good way to operate.

You asked quite a few questions about whether title I reached the needy. Except for a few instances in which there are ration shops, that there is no practical way that one can say that title I food directly reaches the needy. However, when one considers that under the legislation three-quarters of title I must go to poorer countries, then it seems to me that by increasing the supply of food in those countries, you are going to benefit the poor people indirectly.

As you, Mr. Chairman, pointed out, the poor have to spend so large a proportion of their income for food that in the absence of title I they would be the hardest hit.

Senator CLARK. Does the administration approve that three-quarter limit?

Mrs. BITTERMAN. Yes, sir. With one amendment which I think Mr. Hjort referred to. But we are strongly in favor of using title I substantially to help the poorer countries.

However, the \$300 limit in the present legislation takes no account of inflation and therefore we certainly support the Secretary of Agriculture's proposal that the poverty criterion be the same as that established by the International Development Association.

Senator HUMPHREY. The IDA.

Mrs. BITTERMAN. Yes, the IDA.

Senator CLARK. How does that measure against the \$300?

Mrs. BITTERMAN. Well, I read the Bank's paper and they previously had a criterion of \$375 which I think was for the year 1970. And in making the change last summer they said that because of inflation, there was no real change between the \$375 figure and the \$520 figure in 1975 prices.

Also, I think, Senator, you asked some questions about what we do on terms of agreements.

This really gets to the problem of incentives. It might be helpful to point out that we just signed an agreement with the Government of Bangladesh. During that negotiation the Government agreed to undertake action to improve its overall policy on food. That includes improving domestic food pricing through more timely and centralized procurement and limiting imports to the minimum amount necessary to encourage greater domestic production and establishing within 2 to 4 years a stabilization program which would reduce subsidies.

Also I think you raised the question of how we make a judgment as to title I allocations.

The Congress established a Development Coordination Committee headed by the Administrator of AID. Last summer all of the agencies agreed that we should ask our missions to send in as part of the annual budget submission a detailed analysis of how the Public Law 480, particularly title I, would fit in with the development strategy of the country. In other words, we are requiring a more intensive analysis than previously.

Senator LUGAR. At the time these studies are made how public are they? Is it general public knowledge in this country as to what agreements should be made or comments should be decided, and the nature of the contracts?

Mrs. BITTERMAN. AID submits in its presentation each year proposed allocations of title I and title II. We include 3 years, fiscal years 1976-78. This has to be illustrative of course for fiscal year 1978. For example, I recall when we did the fiscal year 1977 allocation we were thinking in terms of a very large wheat import requirement by Bangladesh. As you know they had pretty good crops and did not require nearly as much as we anticipated. In the 1978 illustration allocation included in one presentation to Congress, we have 500,000 tons of wheat for Indians. They may not require that much in addition to the amount which they would be required to be commercially. The best we can do is an illustrative program.

Senator LUGAR. You project what you think will be the program?

Mrs. BITTERMAN. That is right.

Senator LUGAR. Now, at what point is public information on these projects undated?

Mrs. BITTERMAN. We submit updated allocation tables to the Congress. How much public attention is paid to them, I do not know.

Senator LUGAR. Yes.

Mrs. BITTERMAN. Of course, the title I negotiations with the country are conducted by a team under the direction of our Ambassador.

The terms of the agreement and the amounts and so on are not announced in advance. They are announced by the Department of Agriculture when all negotiations are completed. I do not think it would be feasible to do otherwise because one of the reasons that Agriculture does put out a press release until the agreement is signed is to give all traders a fair chance. If one trader knew beforehand and the other did not I think Agriculture and all of us would be subject to great criticism.

Senator LUGAR. I understand.

Let me ask you this question: Granted that most aid would go to poorer countries, maybe the 75 percent you are talking about, your assumption is that a flow through of this food going into a country that is poor is that distribution will be reasonably evenhanded. Now, is that your experience generally? You hear of rulers in countries holding stocks and using them against the poor. Is the situation getting better? Can we make an assumption that the American public can observe grain being shipped to a poor country and reaching the poor people as opposed to enhancing the prestige of the staff or whoever is the ruler in the poor country at the time?

Mrs. BITTERMAN. Sir, I think there are a number of answers to that.

One is that in practically every country that I know of title I food is relatively incremental to their own production and to the amount that they import commercially. The other answer is that in many of the very poorest countries a lot of the food is produced by subsistence farmers. So in many countries a great deal of the title I food goes to the urban centers. I see nothing wrong with that because it avoids crosshauls.

We also try to take particular care not to oversupply so that people could corner the market.

Senator HUMPHREY. Senator Clark? I know you have some questions.

Senator CLARK. Yes. Just a couple. Mrs. Bitterman, I would like to ask you some questions really along the lines Senator Humphrey was talking about in his statement to Mr. Hjort about what title I can do and does do in terms of generating funds for development purposes and agricultural purposes in particular. I wanted to try to get a better idea of that because frankly I do not know—and I think I am a strong supporter of Public Law 480 and would like to see it continually improved.

Mrs. BITTERMAN. So would I.

Senator CLARK. Right.

Do you feel that these contracts that we write are adequate to give significant assurance that the countries that take this food are going to use the proceeds of the sale of that title I for such development purposes?

Mrs. BITTERMAN. Yes; I think so, Senator. The situation in almost every less developed country is it has a development plan for which they do not have the resources to carry out. The amount which is generated through title I could go into filling some of the gaps of that budget. As Senator Humphrey suggested the budget could provide for health centers, building more roads or a number of various things.

Senator CLARK. But as you look at that in a kind of tough minded way, one of the worst examples which is not typical admittedly is Vietnam. Apparently an awful lot of the money that went into the title I program during the Indochina conflict went to Vietnam and as often argued here, it ended up in fact as proceeds going to the war effort. I think my colleague, Senator Hughes, said this was not a food for peace program but a food for war program.

How do you assure that that money even now in for example Egypt or Chile or the Philippines or Portugal—does not really go not for rural roads or housing but rather to a military effort which we would not want to support.

Mrs. BITTERMAN. If I could answer you from the top first.

Senator CLARK. Yes.

Mrs. BITTERMAN. I have written a lot of answers on food for war.

Senator CLARK. Yes.

Mrs. BITTERMAN. In the case of Vietnam, there were food grant-backs of Vietnamese currency. It was used for paying Vietnam soldiers and various internal expenses. Given the fact that we were fighting the war at that time, whether reasonable or not, U.S. dollar inputs would have otherwise been required.

Senator CLARK. Yes.

Mrs. BITTERMAN. It was not possible at that time to have much of a development program in Vietnam while the war was going on.

Senator CLARK. Yes.

Mrs. BITTERMAN. The food for war issue assumed that the currency could be used to buy munitions. But, of course, no country would take Vietnamese currency or any other inconvertible currency as payment for munitions. Now with regard to Vietnam.

Senator CLARK. Yes.

Mrs. BITTERMAN. Again, the title I currencies cannot be used for internal army expenses. It must be used for economic development.

Senator CLARK. Yes.

Mrs. BITTERMAN. But the United States can even have complete control over any country's budget. That is not our style.

Senator CLARK. You said that local currency receipts under title I would have to be used for development. Why so? In other words, each contract insists upon that?

Mrs. BITTERMAN. That is right.

Senator HUMPHREY. That is the new law, 1975.

Mrs. BITTERMAN. No.

Senator HUMPHREY. It was in 1966?

Mrs. BITTERMAN. Yes.

Senator CLARK. I have another question or two.

Let us say today as I look through this list of food for peace program recipients—and, again, let me try to pick some of the more controversial ones—about one-quarter of all the money this year went to Egypt, \$200 million—is that one-quarter?

Mrs. BITTERMAN. Yes.

Senator CLARK. And again Korea was the second largest recipient.

You are confident that under the contracts that we have with Egypt and Korea that the money that is generated from title I is being used for their economic development purposes?

Mrs. BITTERMAN. Yes; I would say so.

And I might add, Senator, that we have this summer sent out an instruction to our AID missions that where feasible, these should be greater collaboration with the governments in programing the use of title I currencies. I say where feasible because I think if we had a sale to India that we would not get much encouragement from India to come in and struggle with their budget. But in many countries where they do not have a sophisticated system for fiscal management I think they might welcome it and we have asked our missions to do that.

Senator CLARK. Let me ask one other question. With regard to title II and looking at the poundage or the tonnage—

Mrs. BITTERMAN. Yes.

Senator CLARK [continuing]. It is just about exactly one-third greater as it was in 1962, and rather significantly less than it was in 1975, 1974, and 1972. Do you feel that in other words, there is a kind of decline in total tonnage in title II programs?

Mrs. BITTERMAN. I was not aware that it was in 1974.

Senator CLARK. Do you not feel that those could be increased cautiously back upward for purposes of actually feeding hungry people as these programs do?

Mrs. BITTERMAN. Yes.

Senator, the data you have shown me are shipments. As a matter of fact in fiscal year 1976 a total of 1.3 million tons.

Senator CLARK. Yes; I remember that.

Mrs. BITTERMAN. But we fell short of that figure in actual shipments. That was primarily because the world food program drew on wheat from Canada for its programs in India and therefore did not draw down against the U.S. pledges. We have 1.5 million tons for fiscal

year 1977 title II programs. I have checked and we are just about on the nose on program approvals as far as being halfway through the fiscal year.

Senator CLARK. You think you will deliver 1.5 million under title II?

Mrs. BITTERMAN. We hope so. But it is very difficult to assure actual shipment.

Senator CLARK. Thank you.

Senator HUMPHREY. I think it would be helpful, Senator Clark, if we could get from AID a good report of what happens under title I in the use of currencies that are generated. I would like some specifics. I think about Senator Clark's example of Egypt. We know Egypt has tremendous difficulty with its economy. I, for one, am pleased there was a sale made to Egypt. I would just like to know what it did for the people; did it hold food prices down? Did it generate currency that was used for the small farmer? What happened? I think we need to know that. We are getting a lot of generalities and when we get down to the Senate floor we are going to have to have some specifics.

So I would like you to produce a country-by-country assessment, particularly of the larger recipients like Korea. Those, Senator Clark, that are in the 25-percent category.

Senator CLARK. Korea is over—25 percent—you're right. Egypt here is under 300.

Senator HUMPHREY. That is because we lifted the limit up to \$375.

Senator CLARK. Yes.

Senator HUMPHREY. It would be good to know in those particular countries in the 25-percent category because those are not the ones that are most seriously affected. What happened to title I funding?

Mrs. BITTERMAN. I will be glad to furnish that.

Senator HUMPHREY. If you would present that for our record.

Mrs. BITTERMAN. I may have to request that of our missions and it may take some time.

Senator HUMPHREY. I am sure it will take some time and we are going to be revising Public Law 480 and we need to know a little more about it.

[The following material was subsequently submitted by Mrs. Bitterman:]

BANGLADESH

The Public Law 480 title I programs in Bangladesh have been used principally to benefit the agricultural sector. Title I proceeds contribute to the agricultural investment of the annual plans; investments in this sector have been increasing. Less significant benefits have occurred in the areas of nutrition and economic stability. Through the acceptance of wheat, a more nutritious and less costly foodgrain has been introduced and accepted in the Bangladeshi diet. This nutritional improvement in protein-caloric intake have benefits in the general welfare of recipients. In the area of economic stability, a reliable supply of foodgrains has promoted confidence and a semblance of price stability.

CHILE

The cornerstone of the Government of Chile's economic recovery program is the controlling of inflation, which at the end of fiscal year 1973 was the highest in the world at 500 percent per annum. Public Law 480 title I proceeds freed scarce foreign exchange which was needed to finance essential imports and thereby curb inflation. This strategy was designed to generate producer and consumer confidence and to generate local resources to finance medium and long term development.

Title I local currency proceeds of the fiscal years 1975 and 1976 programs were concentrated in the housing sector to answer an acute need and, more importantly, to help stimulate the construction industry which had been severely depressed. The spread effects of this policy include the creation of additional employment to construction workers and a general boost to the entire economy.

The proceeds from the fiscal year 1977 title I agreement will only be expended in the approved sectors of agricultural production, nutrition and/or rural development.

EGYPT

The impact of title I food sales under Public Law 480 is twofold. Most importantly, the availability of concessional financing for wheat imports help to augment Egyptian funding that can be allocated to the general development effort. Much of this benefit has accrued to the agricultural sector; between 1974 and 1976 investments in this sector have almost doubled. The second impact of Title I on agricultural development is much more indirect and more complex. Title I has contributed to the Egyptian Government's wheat subsidization policies. While this could be considered "counterdevelopment", in Egypt, where more valuable and profitable crop options exist, the substantial profit differentials that result aid in accelerating the development process.

INDONESIA

Title I foods to Indonesia under Public Law 480 programs have provided better nutrition while contributing to economic stability. Indonesia is a chronic food deficit country and the world's largest importer of rice. The estimated daily per capital caloric availability is 1750 calories or about 20 percent below the standard set by the World Health Organization of 2160 calories per day. Rice imports under Public Law 480 to Indonesia have averaged over 1 million metric tons for the last four years. This represents the average annual rice consumption for millions of Indonesians, and is a significant contribution to the well-being of the Indonesia population.

Public Law 480 helps to stabilize the economy in two ways: as a part of a large food import program it has contributed to the Government's efforts to provide sufficient foods in the market, thus facilitating food price stability. In addition, Public Law 480 commodities on concessional terms has reduced the immediate impact on the trade deficit and also reduced the impact on the debt service burden for future years.

Proceeds from the sale of Public Law 480 commodities have gone into agricultural development to achieve increased and improved production thereby reducing the food deficit burden.

ISRAEL

The local currency funds generated by title I Public Law 480 sales continue to help finance self-help projects, mainly water resource development, wheat and feedgrain storage and research in plant breeding. All of these measures contribute to the overall ability of the Israelis to produce more food domestically for their own consumption and thus alleviate to some extent, albeit small, the pressures on the balance of payments.

JORDAN

Over the past 10 years, Jordanian dinars generated under title I Public Law 480 programs have been expended principally in the areas of agricultural and economic development. The proceeds have allowed the Government of Jordan (GOJ) to stabilize the price of bread, which is a vital staple in the Jordanian diet. In addition, the local currency generations have financed: (a) the construction of grain storage facilities that enable the GOJ to reduce food losses and handling costs; (b) the purchase of equipment, fertilizers and wheat seeds, required to demonstrate to wheat farmers the importance of using new methods and techniques in planting wheat to ensure an increase in production; (c) soil and water conservation activities to prevent soil erosion and reserve adequate water for irrigation, thus expanding land available for agricultural purposes; and (d) the training of cooperative members in fields which contribute to the promotion of cooperative concepts and to expand the activities of the Jordan Cooperative Organization.

In order to reap the benefits of this past investment, the proceeds of the fiscal year 1977 agreement provides for increased funding to agencies which extend agricultural credit to farmers.

KOREA

Public Law 480 title I local currency proceeds have been used in a significant way to impact on the Government of Korea's (ROK) economic development. Local currencies have been used to achieve self-sufficiency in major grains by making high yielding rice varieties readily available to a greater number of farmers. Grain storage facilities have been expanded and improved to reduce losses. Agricultural credit has been made available allowing greater use of irrigation systems and the rearrangement of rice lands, thereby making them more productive.

In addition to expenditures in the agricultural sector, the ROKG has focused on reducing population growth by continuing to expand and improve family planning services throughout the country, including low-cost delivery programs for family planning service in rural areas.

PAKISTAN

Public Law 480 title I sales agreements have included self-help measures to be undertaken by the Government of Pakistan in areas such as fertilizer supply and distribution, price policy, agricultural credit, irrigation, water resources, seed availability, and the development of a concrete strategy for increasing the domestic production of edible oils.

The Public Law 480 program has had clear benefits in the nutrition area by permitting Pakistan to maintain per capita consumption of wheat while it moves toward national self-sufficiency in wheat. It also increased per capita consumption of fats (through edible oils) as the level of fats in the diet are below recommended levels.

PORTUGAL

The Government of Portugal agreed to finance, with sales proceeds from title I commodity sales, the following activities: (a) grain storage facilities to safeguard national harvests; (b) construction of wholesale fruit and vegetable markets to aid small farmers; (c) construction of an installation for improved selection, handling and storage of wool, the principal beneficiaries being small farmers; (d) improved extension services to instruct small farmers in better agricultural management and techniques; (e) purchase of high quality breeding stock to improve and expand the Portuguese dairy industry; and (f) marketing networks to the areas populated by the lowest income groups.

SRI LANKA

The U.S. Mission in Sri Lanka believes that Public Law 480 title I has had a positive impact on the nutritional levels of the populace and has proven to be an effective means of intervention against hunger among the estate workers, the urban poor and other vulnerable groups. They further state that Public Law 480 wheat has contributed to production in the agriculture and industrial sectors by assuring basic food commodities for workers during periods of severe food shortages.

SYRIA

Local currency proceeds from previous agreements are currently being used for a water supply system in Damascus. Title I foods assure the Government of Syria (SARG) a reliable supply for the major part of its rice imports. The Public Law 480 program has introduced vegetable oil into the Syrian diet which provides a nutritional requirement and which is now expected to be produced domestically.

The 1976 and 1977 Public Law 480 programs have also helped the SARG's balance of payment difficulties caused, in part, by rising food imports and exacerbated by the need to supply refugees of the Lebanese conflict.

The Public Law 480 program will have a greater economic development impact in the future when these resources are integrated with the other elements of economic assistance efforts.

ZAMBIA

The Public Law 480 agreements with Zambia call for the proceeds of sales to be used for development of the agricultural sector, specifically: (1) to accelerate the applied research on food crops to determine fertilizer requirements, (2) to

find higher yielding seed varieties, (3) to disseminate information for better crop and soil management practices, (4) to improve the linkages between the research program and the extension services operating and (5) to ameliorate range management practices including pastoral seeding, upgrading local breeds and assuring disease control.

Senator HUMPHREY. Just a couple of questions to you, if I might.

Have you any recommendations for giving a greater developmental emphasis in our program? We would appreciate any suggestions that you have.

Mrs. BITTERMAN. First, may I say, Mr. Chairman, that I have looked at S. 1169. But I was able only to get a copy from the Congressional Record. I have not analyzed it in depth. We are certainly going to do that. I say "we" because I am sure that I speak for all of the agencies concerned. We have taken a couple of other steps, however.

One of them is what we call a "core" program. The agencies have agreed that a certain amount of commodities could be set aside each year and called a core. And if countries came up with a plan to use the resources for development purposes, then we would say, OK, you are part of the core program. That would give a country priority access to a certain amount of title I food, however much is available.

Senator HUMPHREY. That is for developmental assistance purposes?

Mrs. BITTERMAN. That is right.

Senator HUMPHREY. All right.

Mrs. BITTERMAN. We cannot go any further than assuring priority access because the availability of commodities must be determined by the Secretary of Agriculture under certain criteria. But it does give priority access which can help countries in their planning since they can pretty well count on this much assistance.

Another provision is the legislation passed a year and a half ago which included loan forgiveness up to 15 percent of annual title I sales. While we have not signed any loan forgiveness agreement yet, we have several under consideration. They take some time to develop but I am hopeful that we will have some agreed to quite soon.

Senator HUMPHREY. That is provided they use the funds for developmental purposes?

Mrs. BITTERMAN. We have two criteria if a country agrees to take some kind of policy change which would aid in development, say, on a domestic price incentive scheme, then we would say we can give more support through loan forgiveness. However in order to have these local currencies deemed payment for dollar payment loans, they must be used for economic development.

In addition, if a country agreed to use title I local currency for purposes such as increasing agricultural production or rural credit, we could say the amounts used for such purposes could be forgiven.

Senator HUMPHREY. Very good.

Now, we would like to have those suggestions when you comment on whatever bills are proposed. But, also give us your suggestions, please.

I know the Office of Budget and Management will look over this proposed legislation and come down one way or the other. I am not interested in that kind of finite statement; I am interested in what you think we ought to have in the legislation. Tell OMB that we are not

interested in the present program, because I have not had a chance to talk to the President about it. OMB says it is not in the President's program without ever knowing what it is for. Therefore, I think it is——

Mrs. BITTERMAN. Some of my best friends are in OMB. [Laughter.]

Senator HUMPHREY. OMB gets into a lot of things that are related to costs and I want to get suggestions and not negative ones, you know.

Mrs. BITTERMAN. I will do my best.

Senator HUMPHREY. I want to come back to what Senator Clark said regarding title II.

I think he makes a good case, but I note what you said, regarding the World Food Conference program.

Mrs. BITTERMAN. The world food program got a windfall contribution. Canada had some wheat and said here it is and you take it within a certain period.

Senator HUMPHREY. So that did not diminish our delivery.

Mrs. BITTERMAN. They did not call for it against our pledge.

Senator HUMPHREY. Now, I think again in light of Senator Clark's deep interest, and I join him, that we ought to look at ways that we can implement and expand title II. I recognize that what you say is valid, but it depends on what kind of distribution, what kind of assistance they can get; or the kind of budgetary support, et cetera. We are trying to look for how we can improve the program and sometimes you have to force the issue.

Mrs. BITTERMAN. Yes. I can assure you, Mr. Chairman, we are looking at it to improve it not only in the amount that is distributed but the way it is targeted to assure we are giving nutritious food. There is a higher percentage of distribution of fortified blends of food which are particularly suitable for the more malnourished children.

Senator HUMPHREY. Senator McGovern has been a strong opponent of that program and I think it has merit.

Is the administration trying to increase aid, particularly with rice? We have got a big carryover in wheat and rice. The American farmer looks on Public Law 480 both from the humanitarian point of view as well as an economic point of view. When you have got a billion bushels carryover of wheat in a depressed market and out there is a hungry world you wonder what are we doing to tie into the hungry needs of the world.

Mrs. BITTERMAN. Mr. Chairman, as you know, this year, the subcontinent had quite a large crop. Their import requirements are much smaller than we had anticipated. As far as rice is concerned—and I hate to bring this up—but the big market used to be in Indochina, and of course that is gone. I think the result may well be—although I think it is a little premature to say—that we may have to come to Congress with an explanation that the amounts which were allocated for countries in the 75-percent category could not be effectively used. There are other countries which are not by any means well off but who are not as poor as others which need title I food. At some time—and I think it has to be quite soon—might we come up with that kind of explanation.

Senator HUMPHREY. I think that would be helpful.

Mrs. BITTERMAN. But, as I say, we are just half through the fiscal year.

Senator HUMPHREY. Also, look forward to the prospects of Indochina becoming a rice exporter. It is a garden spot for rice production and it will come back. From what I read, there is a tremendous revival of production in that area.

We have got our rice production way up here and their production is up now in Indochina and we are going to have to take a look at the formula, as you say, as to how rice exports take place, whether we can do it under the more serious effective definition or whether we have to move out into a broader use.

Mrs. BITTERMAN. I agree.

Senator HUMPHREY. One final thing. What is AID doing to cut down on food losses?

Mrs. BITTERMAN. I do not think I can answer you fully, Senator Humphrey. I know this is a problem that AID is focusing on, as well as the World Bank and other international lending institutions but I cannot answer you specifically.

Senator HUMPHREY. I would like to have AID give us a statement regarding their concern. Not only what we are doing but on the multinational banks, what they are doing in cooperation, since we are participants in those; what are they doing in the World Bank and IDA and Asia Development Bank or any of these banks.

Mrs. BITTERMAN. I have heard that the FAO has become more interested also in the whole problem of storage.

Senator HUMPHREY. That is very definitely true.

Thank you, Mrs. Bitterman.

Mrs. BITTERMAN. Thank you, Mr. Chairman.

[The following material was subsequently submitted by Mrs. Bitterman:]

REPORT ON REDUCING FOOD LOSSES

AID has had a long-standing program to assist in the improvement of food grain storage and management in less developed countries. It has principally taken the form of loans for storage construction and technical assistance in the design and operation of comprehensive storage programs; much of this assistance has been provided through a contract with the Food and Feed Grain Institute of Kansas State University. Recent developments include a cluster of diverse activities:

A contract has been established with the National Academy of Sciences for a study of food losses in developing countries with the aim of helping to identify appropriate points of AID action. The study is being carried out in collaboration with other major donors and institutions.

AID has been participating in meetings of a subcommittee of the Consultative Group on International Agricultural Research on post-harvest technology. The agency has recently joined with two Canadian aid agencies (IDRC and CIDA) to place a three-man team in Los Banos, Philippines, to provide technical assistance to countries in the region on improved grain storage and the reduction of storage losses.

A project has been established with the League for International Food Education to develop a manual on how to determine storage losses in food grains.

In addition, AID is sponsoring: (1) a review of food-grain reserve and storage policies for Asia; (2) a study conducted by the International Group for Agricultural Development in Latin America of food losses in Latin America; (3) a series of regional seminars on Food Storage and Handling Practices focusing

particularly on food supplied under the Public Law 480 title II donation program; and (4) several country-specific undertakings such as the \$44.5 million loan to Egypt for the construction of port and buffer stock storage facilities, a project in Bangladesh to help protect and manage foodgrain production through the provision of fumigants and the construction of a number of small storage depots, and a project in Nepal to help develop seed processing and storage facilities.

To coordinate the many efforts being undertaken, AID has appointed a specialist in "post harvest food losses" who is scheduled to report for duty in June 1977.

The international organizations are also addressing the problem of food losses among the developing countries. The Food and Agriculture Organization (FAO) conducted a nine day meeting, April 20-28, 1977, devoted to the subject of "Reducing Post-Harvest Food Losses". The paper prepared for this session proposes ten model projects to be considered as initial steps toward stimulating further assistance and investment in this area. For food grains alone, FAO estimates a current 10 percent loss which if cut in half by 1985 could mean a savings of half the projected food grain imports at that time. Accordingly, the FAO projects are designed to combat food losses on many fronts, namely, farm grain storage, village stores, grain warehouses, pest and rodent control, drying and milling techniques, and training programs.

The International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) have also financed agricultural projects which included, inter alia, storage and other food-saving techniques. For example, an IBRD loan of \$11.5 million to the Philippines for a project providing milling, drying, storage, and transportation facilities needed to support increased rice and corn production will result in a savings of \$11 million annually. Under an IDA credit of \$18 million, Tanzania hopes to become self-sufficient in its staple grains by 1982; seed, fertilizer, insecticides, herbicides, and essential storage and transport facilities will be provided to 380,000 participating families. Another IDA credit will help construct a 20,000-ton grain silo, 6 grain warehouses and other facilities in the Yemen Arab Republic.

The Inter-American Development Bank (IDB) also places the highest priority on its programs to aid agricultural development—about 24 percent for this sector in 1975. During this year, the IDB is sponsoring a study of the causes of post-harvest loss and possible investment programs to address these problems in Central America and Panama. This study may result in project proposals which will be considered for financing by the IDB as well as IBRD, AID, or other financial assistance organizations. Some country-specific projects which the IDB is financing include a \$60 million silo construction program in Argentina and a \$15 million loan to develop a meat packing industry designed to reduce meat spoilage and to make possible more extensive use of by-products.

The Asian Development Bank (ADB) allocates 30 percent of its funds for projects in the agricultural sector. In Indonesia, credits to small farmers help finance, inter alia, storage and drying facilities. A farm-to-market road project in the Philippines helps to reduce food losses by getting the food to the consumers before it spoils. Another loan finances fertilizer, insecticides, etc., imports to Bangladesh.

Senator HUMPHREY. Is Mr. Sanderson here?

Mr. SANDERSON. Yes.

Senator HUMPHREY. Mr. Sanderson, you are with the Brookings Institution. We welcome you and appreciate you giving us some guidance. Why do you not proceed as you wish.

Mr. SANDERSON. Mr. Chairman, as I understand it, my assignment is to try to throw some light on the various long-term projects on food needs of developing countries and what effect that might have on food aid.

Senator HUMPHREY. We will incorporate your statement in its full text in the record.*

*See p. 120 for the prepared statement of Mr. Sanderson.

STATEMENT OF FRED H. SANDERSON, BROOKINGS INSTITUTION

Mr. SANDERSON. I shall try to throw some light on the prospective food deficits of the developing countries. Do we have a few minutes?

Senator HUMPHREY. Certainly.

Mr. SANDERSON. The projections we have been talking about, by the FAO, the Department of Agriculture, the World Bank, the International Food Policy Research Institute indicate a total grain deficit of the developing countries ranging between 60 million and 100 million metric tons by 1985—with 60 million being more likely than 100 million. This compares with an average deficit that has been going up from 18 million to 27 million tons in the sixties and on to 41 million in the period 1973-74 to 1975-76.

It is important to keep in mind, of course that the Third World is not a homogenous group of poor countries. In fact, some of them are becoming quite prosperous. I am not thinking only of the oil-exporting countries. Producers of coffee, cocoa, and certain raw materials have been doing very well. The more advanced developing countries have been quite successful in expanding their exports of manufactured products. The high- and middle-income group of developing countries, which accounts for roughly two-thirds of the projected grain deficit, is believed to have relatively favorable prospects for income and export growth. Most of these countries should have little difficulty in financing their food-import needs provided that the industrial countries keep their doors open to imports of labor-intensive products in which the developing countries have a comparative advantage.

Among the remaining group of poor countries, there are a few which should not be in need of food aid because they will be food exporters or because they should have the capacity to earn sufficient foreign exchange to pay for their food imports.

This leaves a hard core of countries, with a projected population of some 1.2 billion people that will have great difficulty financing their food deficit, which is projected to increase from about 15 million tons at present to 25-plus million tons.

Senator CLARK. Could I interrupt just a second so I will understand you.

In other words, if there is a 60-million-ton to 100-million-ton deficit in 1985 you think it is going to be closer to 60 million?

Mr. SANDERSON. Right.

Senator CLARK. You are saying about 35 million tons could probably be purchased by these countries and the other 25 million are in truly deficit countries that probably cannot afford to buy that food?

Mr. SANDERSON. That is correct.

Senator CLARK. Then why do we use the 60 million? Simply because that is how much they will be needing by purchase or by gift?

Mr. SANDERSON. That is right.

You have to keep in mind that most of these estimates come from international organizations which still tend to think of the Third World pretty much in terms of a solid bloc of poor countries.

Senator CLARK. I understand.

Mr. SANDERSON. These projections are generally based on the assumption that population, income, and food production trends continue more or less as in the past 15 to 20 years.

This is a fairly safe assumption so far as population is concerned. Even if there is some decline in the rate of population growth, it will not make much difference in total population until well after 1985. On the other hand, even a modest acceleration of the rate of growth of food production in the poor countries say from 2½ percent a year to 3 percent, could sharply reduce the deficit.

There is reason to expect some acceleration. Global foreign aid commitments to agriculture have doubled since 1973. But we should not look for immediate dramatic results. Major investments in land improvement, irrigation, fertilizer production require long leadtimes. Even the "green revolution"—the introduction of high-yielding wheat varieties in India—caused only a ripple in the long-term trend of food-grain output in that country.

While food production in the poor countries may increase at a somewhat faster rate than in the past, this is equally true of the demand for food. Income growth, which has been extremely slow, shows signs of accelerating, despite the oil crisis. But this income growth tends to be localized in the small modern sectors of the economy, where it generates a demand for food that is not necessarily matched by a commensurate increase in food production.

In addition to market demand caused by rising incomes, governments are likely to be faced with continuing pressures to increase—and subsidize—the meager rations of the urban poor and, at the same time, with growing resistance to government procurement in the agricultural surplus regions. Distribution problems of this kind increase the need for food imports.

On balance, therefore, it is likely that the demand for food in the poor countries will continue to run ahead of production, even if current efforts to speed up agricultural development meet with a measure of success.

Internal distribution problems may add to the need for imports. All this points to the conclusion that the projected 25-million-plus-ton food deficit of the poorest countries is probably not far off the mark.

Recent experience has shown that poor countries which have some foreign exchange will meet their essential food import needs even if they have to purchase grain for cash and at high prices. Inevitably, this sets back their economic growth. Countries which do not have the foreign exchange, such as Bangladesh, will risk widespread starvation. Clearly, food aid is justified in both cases. If present projections of food import requirements of the poor countries have any validity, the need for food aid will increase in the next 10 years.

Senator HUMPHREY. Could you move on now in your testimony because of time constraints that are upon us.

You have a section on the role of food aid.

What suggestions do you have for improving that?

Mr. SANDERSON. Mr. Chairman, we have heard that food aid has come under criticism of late. There are those who question our programs on the ground that they do not reach the people in greatest need and that the proceeds of sales are squandered by profligate governments on the salaries of unneeded civil servants, police, armed services, and miscellaneous frills. There are allegations of corruption in the distribution of food aid in receiving countries.

Others feel that imported food competes with, and discourages domestic production, or that food aid leads governments to relax their efforts to increase agricultural production and to control population growth.

Some of these critics keep raking old muck over and over. But I would agree that it is important to monitor these programs carefully and to let the public in on any difficulties encountered in their administration if we are to maintain public support for them. More timely reporting would also help.

A more basic criticism is that aid funds could be spent more efficiently on agricultural development assistance, and, most efficiently, on education and research. What these critics overlook is the element of time. Agricultural development is a slow and arduous process. Even with greatly increased assistance, there probably is a point beyond which the rate of growth of food production cannot be speeded up. Meanwhile, hundreds of millions of people live in a condition of chronic undernourishment which saps their strength, vitality, and motivation. Food aid can help meet their most pressing nutritional needs.

Food aid makes economic sense, quite apart from humanitarian considerations. Better nutrition improves the productivity of the recipients. Better nutrition of children, in particular, is an investment in human capital which probably yields higher returns than any other investment.

A properly managed food aid program can make an effective contribution to agricultural development if the proceeds of local sales are used to finance investments in food production and related activities. The provision in section 106(a)(2) which allows AID to waive up to 15 percent of repayments if the funds are used for agricultural development was a step in the right direction but it does not go far enough. To provide a more effective incentive for developing suitable projects, I believe we should eliminate the 15-percent limitation so far as the poor countries are concerned.

I do not agree with those who think that we need to apologize for providing aid in the form of food rather than cash. For the United States and other agricultural exporting countries, providing aid in the form of food makes economic sense because it uses efficient agricultural production capacity that would otherwise lie idle as a result of trade restrictions. The program is also cost efficient in the sense that budgetary expenditures for food aid are partly offset by budgetary savings on farm-support programs when market prices are below target prices.

Food aid has enjoyed strong support, not only among our farmers but among city people as well. It is not at all certain that cutting back Public Law 480 would make funds available for other aid programs.

I do not think it is true that food aid is less useful to receiving countries than other aid. Aid in any form, if it does its job of promoting economic development, will raise incomes in the developing countries. At the low-income levels prevailing in these countries, a large proportion of any additional income—as much as 40 to 50 percent—is spent on food. Given the timelag in agricultural development, much

of the additional demand for food would have to be met by imports in any event.

It is important, however, that food-aid recipients be given a free choice of U.S. farm products they want. Too often, in the past, has the United States urged commodities upon receiving countries which happened to be in oversupply in the United States. This practice is undesirable and in any event unnecessary in a market-oriented farm program.

One final point, Mr. Chairman, and this is to comment on something you said earlier this morning. You reminded us very rightfully that other countries have been competing with us in the commercial market and they should perhaps be sharing with us the burden of food aid.

I remember when I was in the State Department in 1967, we were negotiating the food aid convention and encountered great resistance on the part of the Europeans and the Japanese—and I remember that you as Vice President, at the last minute, when our negotiators had practically thrown in the sponge, went to Bonn and to London and you turned them around and you got them to participate in the food aid convention and to carry more than half of the program there.

And this program, as a matter of fact, has become one of the most popular aid programs in Europe. It is the only part of the IGA that has stood the test of time.

What I am suggesting is that perhaps the time has come to press for an increase in the contributions in the food aid convention. Other countries are now contributing about 40 percent of the total food aid in the world and doing this through the convention and also through the greatly expanded world food program. But I see no reason why we should not push it further.

Senator HUMPHREY. I thoroughly agree.

Senator Clark?

Senator CLARK. Just two questions.

Senator HUMPHREY. I have to make a call. If I am not back, would you just continue? Mr. Larry Minear is the next witness.

[Senator Clark assumed the chair.]

Senator CLARK. Mr. Sanderson, if you were to rewrite the Public Law 480 program what specific changes would you make? You mentioned one, the 15-percent limitation. Do you have any others you would like to see? We are reviewing this bill at this moment and we are going to be rewriting the farm bill for 3 or 4 or 5 years and this is the time to do it if we are going to make any changes.

What would you like to see changed?

Mr. SANDERSON. Offhand these are the only changes that occur to me, Senator.

[The following letter was subsequently submitted by Mr. Sanderson:]

APRIL 6, 1977.

Hon. DICK CLARK,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CLARK: I am afraid you caught me in one of my less alert moments when you asked me at the April 4 session of the Foreign Agriculture Policy Subcommittee whether I would recommend any changes in Public Law-480 other than the elimination of the 15-percent limitation on the repayments waiver.

I had my mind fixed on Public Law-480 with the amendments proposed by the administration.

I do agree that the \$300 limit needs to be raised to adjust for inflation. The \$520 limit proposed by the administration—and I believe also in Senator Humphrey's bill which I have not yet seen—seems reasonable to me. I also agree with the proposed increase in the title II ceiling from \$600 million to \$750 million.

Yours sincerely,

FRED H. SANDERSON.

Senator CLARK. Do you agree with the present distribution between title I and title II programs?

According to the statistics I saw today we are using about 78 percent in title I and 22 percent in title II. Does that seem to you to be a fair distribution or have you looked at it from that point of view?

Mr. SANDERSON. I have been impressed with the considerations put forward by the administration witnesses earlier this morning. Title II is rather costly to administer. The amounts depend very much on how much the voluntary agencies can handle. Of course, there was a time when we pledged all of our contribution to the Food Aid Convention under title II for the very good reason that we wanted the other countries also to contribute their food aid as grants. From that point of view, if we are willing to consider title II for program purposes, much like title I, to be transferred to the poorest countries for general distribution through ration shops, I think there would be room for substantial increases.

Senator CLARK. Is it your judgment that dollar for dollar more of title I or II program really get to people most desperately in need of food?

Mr. SANDERSON. Title II certainly gets to people who are in need. But my impression is that this also is generally true of title I. The mere fact that you add to the food supply does benefit poor people, particularly in the urban areas and indirectly also the poor in the rural areas because the whole country has more food. There may be problems of administration but this is something I do not feel confident enough to talk about.

Senator CLARK. Thank you very much. We appreciate your testimony.

Mr. Larry Minear?

Go right ahead.

STATEMENT OF LARRY MINEAR, CONSULTANT ON HUNGER, CHURCH WORLD SERVICE AND LUTHERAN WORLD RELIEF

Mr. MINEAR. I am pleased to appear before the subcommittee today to offer some observations and recommendations on Public Law 480.

I am appearing on behalf of the Church World Service and the Lutheran World Relief. Church World Service is the overseas relief and development agency of the National Council of Churches; Lutheran World Relief serves comparable functions on behalf of the three major U.S. Lutheran churches.

I myself have had experience overseas in the administration of Public Law 480 programs under title II in the Sudan. I have a rather extensive statement which I shared with the committee in advance. I

would like to comment here on what we have heard from the administration's witnesses this morning.

We were very much interested in the comments by you, USDA, and AID this morning. We are very much encouraged by the idea of a new top-to-bottom review of Public Law 480 which will be undertaken at President Carter's request by the Economic Policy Group. We feel that in the context of that review many of the questions that have been before this committee in other years and today will be answered on an interagency and detailed basis.

We welcome very much that initiative and hope that there will be a role for the public in working with the Economic Policy Group in its review of both title I and title II programs.

In terms of the USDA's comments, I sensed, as perhaps others did as well, that there is a new approach, at least embryonically, in the attitudes expressed toward U.S. agricultural abundance. I was very pleased to see in the statement by Mr. Hjort a sober needs assessment being carried out by USDA in an attempt to separate the need factor from political considerations.

I think the recommendations from USDA that there be multi-year programming of food aid and multiyear arrangements to assure continuity of supply of food for title I as well as title II represent a very helpful approach.

I was also very delighted to see the issue of food aligned with an international food reserve for developing countries.

This is something that USDA has not said before on behalf of the administration. If there were a clearer linkage between food aid and building food reserves in developing countries, my estimate would be that the amount of food aid that could be absorbed, so to speak, by the developing countries would increase substantially. Therefore, we welcome very much the suggestion from the administration.

My problem with USDA's testimony is that it seems to assume too uncritically that whatever we do through title I will have a positive economic development impact in the countries that receive it. It is clear that when we sign a sales agreement—let us say with Pakistan—that there will be a balance-of-payments transfer, that there will be new resources made available to Pakistan. However, I have not seen evidence either from USDA, AID, or outside experts that title I serves genuine developmental needs of poor people in those countries.

Moving on to the comments of the AID witness, I was delighted to hear from AID itself that except for certain operations through rations shops that title I does not serve the needs of low-income people in particular. I think this admission on the record leaves open the door for congressional revisions that make title I more effective in its service of human needs, as you yourself, Senator Clark, and Senator Lugar and others have very much hoped.

I was disappointed in the statement of AID's witness that the local currency generated by title I commodity sales in a given country does generally, stimulate economic development and is used for developmental purposes. Again, it is a little hard to come up with the data to justify either a positive or negative judgment on this point. However, in the 1973 report on the 480 program there is a table which indicates how local currencies have been used from 1954 through 1973.

Senator CLARK. 1954 through 1973, the first 20 years.

Mr. MINEAR. Right. The first 20 years of the program.

So that covers a wide range of time. The 1974 report, which is now out, does not update those tables. So we do not have the 21st year.

Senator CLARK. All right.

Can you summarize what you think that shows or interpret it?

Mr. MINEAR. According to my interpretation it shows a modest impact at best on development through the use of title I currency.

To quote a couple of 1973 figures, roughly 25 percent of that total amount of currency that has been available during those 20 years was used for purposes of the U.S. Government, our own embassy costs, our own scientific and educational exchanges, and other such purposes. Roughly 13 percent was used for common defense. This recalls the abuse to which the food for peace program was put in the Vietnam situation.

Senator CLARK. I thought the AID witness Kathleen Bitterman testified that it had to be used for development purposes.

Mr. MINEAR. Well, the picture that I am giving you is the cumulative one for the last 20 years. My guess would be that if one took only the last 2 or 3 years as the period under which you judge the utilization of local currency funds, the result would be somewhat different—although not adequate in my view in any developmental sense.

Senator CLARK. In answer to Senator Humphrey about when this went into effect, I thought she said it went into effect at the time the program was announced. In that case, and if all has to be used for development, how could 13 percent be used for common defense. That is something we will have to be asking the AID people to explain.

Keep going.

You now have 25 percent currency available to be used for U.S. Government purposes like Embassy and 13 percent for common defense. Do you have any others along that line?

Mr. MINEAR. The largest single percentage, roughly 43 percent was used under section 104(f) for loans to foreign governments for economic development. I have not been able to determine from USDA or elsewhere to what extent the 43 percent of funds that were used for loans for economic development to foreign governments actually had an impact that was beneficial in terms of the quality of life of low income people in those countries.

My guess would be that the impact was modest or negligible although I do not have the latest documents referring to that myself.

Senator CLARK. Larry, are these figures you are talking about, the 25 percent, the 13 percent, are these funds that were repaid to us in loan moneys or the local currency moneys that were generated in the recipient countries by sales under title I?

Mr. MINEAR. The chart is called "Use of Foreign Currency as Provided in Public Law 480 Agreements Signed from 1954 through 1973." My assumption—and this you might check with the Department's witnesses—

Senator CLARK. I think we are. Here is a witness from the Department.

Ms. VERATI. When this was first enacted the sales were for local currency so that the country initially paid us 100 percent in that local currency. Then in addition to that there were some conditions under each individual agreement as to how those local currencies, how we would use those local currencies.

Senator CLARK. After they were paid back to us?

Ms. VERATI. After they were paid back to us.

So we are talking about the total USDA currency in most instances. Now, the section 104 covers a specifically spelled out 104 that holds a certain percentage of those foreign currencies which are to be used for the United States to discharge obligations abroad. 104(c), I believe, was specifically, a specific item for the common defense; 104(f) or (g) were loans for development assistance or grants to development assistance.

Now, in those cases—now, 104—and it goes on and on and on, includes some local currencies for exchange for dollars for U.S. tourists abroad.

Senator CLARK. We are speaking here in this chart about moneys that were repaid to the United States rather than the money generated from sale of title I.

Ms. VERATI. You could not possibly do that for 1974.

Senator CLARK. What do you mean for 1974?

Ms. VERATI. 1954. I am sorry. If you look at local currencies that go as far back as 1954 there was no such agreement that the currencies in addition to paying us the local currency, that they also have to generate some local—

Senator CLARK. Then the answer is they are repayment?

Ms. VERATI. That is right.

Senator CLARK. Ok.

I think Senator Humphrey was asking that we get some kind of detailed information on this.

Mr. MINEAR. My basic point is that it is wrong to assume that title I has economic development impact. I think it has some impact in some countries but I do not see the proof of overall economic benefits to the people about whom we are concerned—those who are chronically malnourished.

Senator CLARK. That is the question, yes.

Mr. MINEAR. Let me move on to a couple of brief comments.

We have heard from a number of witnesses this morning that title I has been uneven in its benefits and that there are limits to the expandability of title II. I can attest to this as a representative of two organizations that administer modest amounts of Public Law 480 title II. Our efforts can never be expanded to the extent that we would be able to solve the range of food aid needs which developing countries have.

Similarly, if you put together the resources of all the private voluntary organizations, many of which are more heavily involved than we in food aid administration, you have a gap between the needs of developing countries on the one hand and the resources of voluntary organizations and the world food program on the other. Therefore, if one puts together the problems of title I in terms of nutritional impact with the limits on the expandability of title II, it seems to me that you would move toward a new title III program which combine the larger scale of title I with the more nutritionally beneficial impacts of title II.

You yourself 2 years ago introduced a bill that would create a title III. Senator Humphrey has just introduced a bill that would also create a title III. In our view these initiatives move in the right direction because they get us away from expecting title I to do some developmental things which it has not in the past been able to do.

Senator CLARK. Can you speak generally and yet as briefly as possible to what that title III would do? You are talking about Senator Humphrey's bill and mine and you say it has some attractions?

Mr. MINEAR. I think the largest essential usage of title III would be for large-scale rural public works programs in countries with massive unemployment and chronic food shortages. I have spelled out in my testimony some cases of how that would work. In our view you could use the food aid itself directly to pay workers for their labors on rural public works projects. This is already being done by the world food program.

Senator Humphrey mentions areas where it has also been done. The food aid itself would go directly into the mouths or the larders of the people who are otherwise unemployed. This sidesteps what I consider to be the major problem of title I; that is, that in order for the food aid to serve developmental purposes, it generally has to be sold on the local markets with the proceeds then applied to development.

In the case of title III the food aid itself could have direct nutritional benefit. In addition one might have continued but limited sale of title III commodities simply in order to generate enough funds to help administer the program and to buy necessary implements such as hoes and shovels for the public works projects.

I would see a title III having a number of components the largest of which would be in public works.

Senator CLARK. Larry, I am going to have to interrupt. I have about 15 minutes and I still have to hear from Mr. Waters.

What is your feeling in terms of the appropriate distribution of funds between title I and title II? You say that you know from your own experience that you could not have a vast expansion of that program of title II.

Mr. MINEAR. I guess I am attracted to it because it does seem to me to be more apt to get down to hungry people as compared to title I where you begin to lose control. Once you give the country credit and they buy from you, it is their grain and they may use it wisely or not. You do not have quite the same control that you do under title II.

Senator CLARK. Do you tend to agree—I think most of the witnesses that have been here agree the proportions are still about right between titles I and II, namely, 80 percent versus 20 percent, or 78 versus 22.

Mr. MINEAR. I think there could be large increments in title II and/or title III developmental programs. I tend to see the breakdown not between title II and title I but between title II and title III on the one hand and title I on the other.

If you ask me, based my own knowledge of our two agencies, to what extent we could expand our programs which use governmental food aid, I would have to say to a modest degree if at all. On the other hand, the world food program has expanded its efforts and can expand its efforts further. We would like to see more food aid available under title II and title III.

Senator CLARK. Now, if we are now significantly less than half what we were under title II—and let us go back a year or so here so we do not run into the problem Kathleen Bitterman ran into and talked about. Back in 1975 our title II was 1.5 million metric tons, I guess, and it was about twice that in 1972. You do not feel we can double the program in volunteer agencies and others can double the food program over 7 or 10 years and effectively distribute, or do you?

Mr. MINEAR. I think that over a 7-, 8-, or 10-year period the title II administering agencies could substantially increase their tonnage, perhaps toward a doubling of the current amounts. I am not sure. We have had a number of discussions within the private and voluntary organizations but they generally end up with a reluctance to pledge a substantial increase to the program if the food is available. I think probably it would go up to 2.5 million tons over several years period and I think—

Senator CLARK. I guess the thing that worries me a strong supporter of this program, is this: that under title II at least you have some concrete evidence or I believe you do, that food is actually being delivered to hungry people. Under title I either through misinformation or fact or combination of both, we have got a pretty broad feeling across this country that a lot of those programs are ineffective through pest infestations, through delivery problems, through misuse of funds, through uncertainty as to what economic assistance it really does bring, through the Foreign Relations Committee a study of Bangladesh where the questions have been raised about whether some of this food is counterproductive on its own. It is so difficult to believe that a certain amount of this is not true. Bangladesh being one of the most recent or most striking. And I guess that is why the temptation to me is going in the direction of greater certainty.

Now, admittedly our only purpose is not humanitarian. When I said humanitarian I include economic development as well.

I may be reading this too narrowly. Do you have any comment?

Mr. MINEAR. My reading of the reports is that the problem is fairly persistent and durable in title I. Title II is far and away the more beneficial program. It is for that reason that Emma Rothchild in the article to which several have referred this morning suggests phasing down title I altogether and proceeding only with the title II program. We take a different position. We feel that the filling of nutritional needs can never be the sole or major responsibility of private and voluntary organizations. We would like to see the U.S. Government lead and encourage other governments to meet their own responsibilities through Government programs of substantial scale. Rather than phasing down and out government-to-government programs, we would favor toning them up and making them more targeted toward human needs.

Senator CLARK. OK. Thank you very much. We appreciate your testimony.

Any documentation you want to submit for the record we will be happy to put it in.

Mr. MINEAR. Thank you.

[The following letter was subsequently submitted for the record:]

MAY 6, 1977.

HON. HERMAN E. TALMADGE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR TALMADGE: At the Senate Agriculture Committee's hearing on Public Law 480 on March 4 you asked various witnesses to provide the committee with their "best estimate" of the number of people participating in U.S. food aid programs throughout the world.

I have not been able to make an assessment which would provide an accurate figure. However, I am confident that in the interim you will have received helpful information from AID and other witnesses.

Let me take this opportunity to congratulate you on the conclusion of the committee's mark up of the omnibus farm bill. We have been following the committee's review of the bill's various titles with considerable interest and are pleased that the process has been completed in such an orderly and timely fashion and that the bill will shortly be before the Senate as a whole.

Sincerely,

LARRY MINEAR.

Senator CLARK. Mr. Waters? We are pleased to have you here. You may proceed in any way you like.

Mr. WATERS. Thank you, Senator. I have a prepared statement which is more comprehensive and I would like to put it into the record and just summarize.*

Senator CLARK. Sure.

STATEMENT OF HERBERT T. WATERS, PRESIDENT, TADCO ENTERPRISES, INC.

Mr. WATERS. The food for peace legislation is deliberately broad in concept and designed to serve varying purposes, sometimes seemingly in conflict. They need not be, with proper administration and guidance from the Congress as to priority of objectives.

For more than two decades this program has had profound impact for the good on international economic development as well as on American agriculture itself.

From its inception sponsors of this legislation knew it must serve more than one purpose; simultaneously helping other countries otherwise unable to buy urgently needed food supplies, while also benefiting American agriculture otherwise deprived of a market in developing countries.

Perhaps one of the great byproducts of Public Law 480 has been a greater understanding in rural America of the vital importance of economic assistance to developing countries. We probably never could have mobilized support for shouldering our rightful responsibilities toward building a better world elsewhere unless we involved our farm people directly in that effort—building better markets for them, while we were building a better life for other people.

Despite all of the criticisms that evolve from time to time over administrative details, the overall success of the program will be recorded in history as an imaginative approach when new ideas were needed, and a tribute to the foresight of the legislators from rural America who developed it.

With that general comment I would like to move on to more specific suggestions about several phases of the program that might be helpful.

For title I:

In countries selection criteria, some special consideration should be given to countries who buy food on long-term credit terms but use it entirely for socially desirable purposes of distribution among its most needy people rather than just for commercial resale.

In encouraging better nutrition, some special incentive should be provided for credit purchases of high protein-fortified processed products, such as charging only for the grain equivalent and absorbing the processing cost.

*See p. 122 for the prepared statement of Mr. Waters.

In seeking to expand sales participating, consideration should be given to mandating a set-aside of some percentage for sales by producer-controlled export groups or smaller exporters so that a Government-financed export program is not dominated by a handful of major multinational grain traders.

In years of higher than normal production in the United States, more consideration should be given to helping build up developing country stabilization reserves to protect them against adverse crop conditions in their own country, sudden drastic cutbacks in future food aid in any given year, or even sharp international price fluctuations.

For title II:

Food donation programs embody most of what the public conceives the food for peace program to be—providing humanitarian people-to-people assistance directly to the people who need it the most, most directly providing nutritional emphasis, and providing the most visible evidence of U.S. compassion and sharing. Yet food for work projects, material child health programs, and school feeding programs all have a significant development impact—and possibly could have even more if AID programed more of its technical assistance and economic assistance into projects of which the food assistance was a direct component.

Improved administration:

It is time to reexamine and update the administrative mechanisms for this program cutting across many departments of Government. It is still operating under an Executive order issued in the 1950's even though its purposes and objectives have been shifted considerably by the Congress since then.

AID needs to devote more of its staff and financial resources to back up and make more effective a program for which all commodity and shipping costs are paid by USDA. We now spend more man-hours of administrative cost policing or investigating abuses of programs than we do in good management to prevent abuses or poor planning from occurring.

Food is a valuable resource, and should be used as wisely as money to achieve the maximum benefits.

We cannot work out administrative details or assign responsibilities unless we really agree on what the program is intended to do.

The first priority must be made of people. The second priority must be needs of American agriculture. The third priority is pragmatic accommodation to make both objectives match up, and thereby assure the continued support without which both higher priority objectives will suffer.

Mr. Chairman, I would ask that my backup statement be included in the record.

Senator CLARK. Yes.

Your entire statement has been made a part of the record.

Now, you have been a part of the program as I recall most of the time from its beginning.

Mr. WATERS. From the start.

Senator CLARK. From the start, right.

Since the Public Law 480 bill was passed in 1954, now that is 23 years, I guess, how have the goals of that food for peace program changed in that period?

Mr. WATERS. Well, I think the most difficult struggle has been to get off the concept of surplus disposal when that was part of the justification needed to get the legislation enacted in that particular time in history. From that very start the sponsors made clear that was not the sole purpose, and did also enumerate the economic development purposes at that time.

We did come back and try to emphasize the economic development objectives and got it in 1966. In effect, the surplus disposal idea was kicked out of the act to try to create a better image internationally. I think the program has moved in the last few years even better to emphasis on economic development and nutritional objectives without damaging the benefits for the American farm producers through assured markets in areas that otherwise would not be able to buy. It has made a significant contribution to market development. The U.S. bilateral program also led to getting international acceptance of the concept of the food aid. The entire world food program of FAO was based upon the American food for peace program.

Senator CLARK. I see.

Mr. WATERS. The international program of WFP in effect is basically a title II program. However, the world food program for years has been trying to get into what would be the counterpart of our title I program.

Senator CLARK. Now, Herb, as you think about the program, would you feel that the highest priority ought to be on economic development through title I and as distinguished from direct food aid programs such as social programs which I think you mentioned earlier, under title II.

Mr. WATERS. Senator, I see them as complementary. I do not see them in as sharply distinctive lines as drawn by others. To draw from my comment for example, little Jamaica doesn't resell any title I products. It uses all of them to get to the poorest of the poor through maternal projects and school feeding programs. In other words, it is carrying out the usual objectives of title II programs. But it has moved it one step up the ladder, to pay for this under long-term credit of title I.

There is no reason more of this can't be achieved if some consideration is given to recognizing that in the selection criteria, if countries get a higher priority of consideration under title I for such purposes, you can even encourage more countries to follow Jamaica's example. There is a possibility of the Philippines moving in this direction. There is a possibility of other countries not now under title I programs, desiring such use apart from title II. You indicated that you support emphasis in that direction, but quite frankly I do not see the basic need for changing either title I or title II's structure to gain some of the objectives we are trying to achieve. I think almost anything you want to do under this act can be done under the existing legislation if the administrative mechanism and congressional intent is made clear. That is why I think it is so very important for this committee to continue its oversight function, particularly if the program is extended for a 4-year period. There should be an annual oversight review of operating expenses, better reporting back procedures and, one other point I will make, and that is in the management of the programs in the field.

Several times here it was mentioned that title II, an expanded title II, was more costly to achieve than an expanded title I. That is true. Title II takes more management, both in the field and program development and administration. But it might a useful question for this committee to put to AID personnel: How does the manpower devoted to the management of food resources compare with manpower put into programs involving money resources? We probably have the lowest level of food for peace officers in the AID agencies in the field of the past decade, and part of the weakness in the reporting procedures back in on what has been accomplished under these programs is the fact that they have very few career food for peace officers in AID missions. The assignment is given to somebody on the AID staff, but that might be a health officer or some other personnel. They have squeezed down the manpower needed in order to properly cover the planning and management of these programs.

Senator CLARK. Let me ask about title I. Would it be unfair to say that many times the title I program is simply used as a basis for transferring resources and that it does not necessarily have anything to do with the economic development of that country?

Mr. WATERS. Not really, I think in all instances it does make some contribution to economic development. Some use it more wisely than others. However, there was a period where you had less knowledge of what contributions the program made to development of the country. That situation has improved. I think another misleading reaction, perhaps of the press, is the question of whether the title I food input is a depressant to the country's own agriculture. It is the country's controlled food prices that often acts as a depressant to their own agriculture—regardless of food input. Otherwise, you would have to assume that the input of food is going to move in a free market in that country, and seldom do we have a free market in such countries.

Senator CLARK. You would be reasonably confident that the larger amounts of money or larger amounts of food aid under title I, let us say, to Korea, were just a way of transferring funds but the proceeds would be really used at least in large part to—

Mr. WATERS. With Korea I would be less confident than with other countries, because it depends on the extent of a good ongoing economic development program, and a strong administrator in the country to handle it. If you are in a country that has an AID program going on, and people there doing the work with it, U.S. advisers to economic ministries who sit in on the allocation of these funds under title I, you get better results. For example, a food for peace officer who was just back here from Africa, and he sits in with the Tanzanian Government on the allocation of these local currencies, to decide what projects they can be used on. So in effect, you have expanded the arm of our administration into follow up, not just delivery and sales.

Senator CLARK. I think you have got a good idea but I know Tanzania pretty well and the trouble is the amounts that go to those countries seem to me to be pretty small as compared to the amounts to Korea which is awfully high.

Well, thank you very much, Mr. Waters. We appreciate that.

The hearing is recessed until tomorrow at 10 o'clock.

[Whereupon at 1 p.m. the subcommittee recessed to reconvene at 10 a.m., Tuesday, April 5, 1977, in room 324 Russell Senate Office Building.]

FUTURE OF FOOD AID

TUESDAY, APRIL 5, 1977

U.S. SENATE,
SUBCOMMITTEE ON FOREIGN AGRICULTURAL POLICY OF THE
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 324, Russell Senate Office Building, Hon. Hubert Humphrey (chairman of the subcommittee) presiding.

Present: Senators Humphrey, Clark, Stone, and Dole.

STATEMENT OF HON. DICK CLARK, A U.S. SENATOR FROM IOWA

Senator CLARK [presiding]. The meeting will come to order.

I want to welcome everyone to the second day of the Public Law 480 hearings—on the food for peace program. In yesterday's session we looked at some of the broader issues of the future of food aid; and we discussed some of the problems of using food aid for purposes of economic development abroad. I have been particularly concerned—as many others have, I think, in this country—about a number of problems that were raised yesterday, and particularly about orienting the food aid program more toward reaching the neediest groups in recipient countries, and avoiding some of the problems of waste and production disincentive that sometimes accompany the title I and perhaps the title II as well. But it is my own subjective judgment that title I lends itself somewhat more to these problems.

Now, I might say that after the recess, which will be the week after next, I plan to introduce several amendments to the Public Law 480 legislation which I believe would help deal with some of these problems. To meet the potential disincentive problems with any title I program I shall propose that each agreement or amendment to a title I agreement be accompanied by a brief evaluation of the economic impact of the food aid on recipient countries' economies. I think this is important so that we can get some estimate of the specific impact that this food aid will have in terms of possible production disincentives and economic development generally in recipient countries.

I plan also to introduce an escalator requirement for the title II program which would raise the program to a higher level slowly over a period of years. We do not want to jump in and simply double the program, but I believe that dollar for dollar we are more apt to get food aid delivered to hungry people under the title II program, even though it may be a more expensive program in terms of units of food

delivered. My amendment will allow for a slow but steady increase in the title II program.

And finally, in order to deal with the potentially costly administrative and distribution expenses of the title II programs abroad—and poor recipient countries must pay for substantial proportions of these—I would introduce a new title III, which would help meet those expenses and do some other additional things in the food for peace program.

Of course, I realize that economic development and humanitarian relief are not the only intended purposes of the food for peace program. My amendments would not prevent the use of food aid for other purposes, such as market development abroad, foreign policy purposes, and so forth. What we must do, I think, is to ensure that surplus disposal, market development, and foreign policy purposes do not conflict with economic development or humanitarian relief purposes of the legislation.

It is precisely with market development, surplus disposal, and foreign policy purposes of food aid that we are concerned today; and we will return to considering using of food aid for economic development as well.

We have an exceptionally good group of witnesses who are concerned with all of the uses of food aid, who have thought a good deal about this and have, in most cases, a good bit of experience with it.

I particularly want to welcome our first witness, Congressman Stephen Solarz of Brooklyn, who has had an active and very constructive interest in the food for peace program and who, I believe, has some interesting new proposals. That is particularly why we are interested in his testimony this morning. We are also happy to have you.

Do you have a statement, Senator Stone?

Senator STONE. I have a response in favor of what Steve is about to say, as soon as I find out what that is.

Senator CLARK. You go right ahead in any way you think appropriate.

STATEMENT OF HON. STEPHEN J. SOLARZ, REPRESENTATIVE IN CONGRESS FROM THE 13TH DISTRICT OF NEW YORK

Mr. SOLARZ. Thank you, Mr. Chairman. I think I should quit while I am ahead, and thank Senator Stone for his support of my as yet unproposed recommendations.

I want to get right to the heart of what I have to say, and with your permission I would like to submit this prepared testimony for the record.*

Senator CLARK. It will be made part of the record.

Mr. SOLARZ. I will paraphrase my recommendations.

Let me begin, however, simply by noting my satisfaction with the fact that you in particular as chairman of these hearings, have a great concern for the program. I really think we have an opportunity—both the Senate and the House—moving into the considerations of the

* See p. 111 for the prepared statement of Mr. Solarz.

renewal of Public Law 480, to make a number of aggressive, constructive, and humanitarian changes in Public Law 480.

As you know, there have been a number of people who have been quite critical of the Public Law 480 program. There is no question, it has its shortcomings and deficiencies. On balance, however, I think it represents a very significant American contribution to the problem of helping the developing nations of the world deal with one of the most significant problems they confront, which is feeding their own people. I think it would be a real tragedy if we threw the baby out with the bathwater and eliminated the whole program simply because there are some deficiencies in it. Rather, what we ought to be doing is seeking to deal with the problems, eliminate the deficiencies and improve the program so that we can enhance the humanitarian component. As you know, there are other purposes to the law, but I think at bottom probably the most significant component of this legislation is an intent which enables the United States to help the hungry people in the world feed themselves.

Now, in an effort to take a closer look at the program, I took a trip last November and December to four developing countries, the Philippines, Taiwan, India, and Bangladesh, each of which, as you know, is in a different stage of development, which I thought would illustrate the different aspects of the problems of development. Partly on the basis of that trip I looked into our Public Law 480 program, and partly on the basis of conversations and meetings that I have had since then, I have come up with seven proposed improvements in the Public Law 480 program, which I would like to get into now.

The first deals with a suggested change in the title II part of Public Law 480, which is perhaps the quintessential embodiment of American humanitarianism. What, after all, could be more satisfying than feeding hungry children, expectant mothers, and youngsters in school who do not get any breakfast when they leave in the morning; and landless laborers who otherwise, were it not for the food for work program, would be doing nothing constructive, and because of the food for work program, are building up the parts of the country where they live.

I think title II has not received the kind of critical scrutiny to which I think it is entitled. My suggestion for improving it runs along these lines:

I would make several changes in the title II program. First with respect to preschool feeding programs. Priority would be given under the terms of my amendment, to the extent feasible, to children who are actually suffering from malnutrition, based on the standard definition. The reason for this is that there are in the developing world somewhere between 500 million and 800 million malnourished people, a very large percentage of whom obviously are children; and indeed, a large percentage of them are preschool children, given the population explosion that has occurred in the developing world.

The problem right now is that a large part of our preschool feeding program is given out to children who are not, by clinical definition, malnourished. The program is set up in a particular area, and in essence any child who lives in that area and whose mother applies for

the program, is given the aid. As a consequence, to the extent that we provide title II preschool feeding program food to youngsters who are not undernourished, and given the amounts of food available for this program, it means there are other children who are malnourished who are not getting the benefit of the program.

So, through the establishment of such criteria, we would be able to maximize the nutritional impact of title II preschool feeding programs by concentrating such programs on those children who are actually malnourished. And there are—you may be interested in this—a number of ways in which malnourishment can be tested and determined. In the Philippines we have such a program, where the children are actually weighed in order to determine whether they are malnourished. There are three different forms of malnourishment. Grade 1 malnourishment exists when a youngster is 90 to 75 percent of his normal body weight; grade 2 malnutrition exists when a youngster is 74 to 61 percent of his normal body weight; and grade 3 malnutrition exists when a youngster is 60 percent or less of his normal body weight.

Another way of testing malnutrition is through placing a circular device on a youngster's arm which measures what should be the normal width for a child of that age; if it fits on the arm it is an indication that he suffers from malnutrition.

Senator CLARK. Can I interrupt you? I know you have seven amendments, and I do not want to interrupt you on all of them because if I do it will take all our time; but I am interested in whether or not you have any statistical evidence that points to the fact that much of our food aid right now is not going to the malnourished: Is that your general impression?

Mr. SOLARZ. Well, we have some statistics from CARE, which is an American PVO that administers title II preschool feeding programs, which indicates in effect that only around a third of the preschool feeding programs are targeted on youngsters who by the clinical definition are malnourished.

Senator CLARK. I see.

Mr. SOLARZ. So, while there are not—unfortunately—comprehensive statistics that are available, I think there is reason to believe that a substantial number of the youngsters who get this aid are not actually malnourished.

What my amendment would simply say is that these malnourished youngsters ought to be given priority to the extent feasible. I think this kind of guideline is desperately needed before we can maximize the nutritional benefits.

Senator CLARK. Let me at this time ask representatives present today to give us a response to that amendment in the next several days in terms of AID's analysis, as best as can be measured with the present statistics of what percentage of people fall into that category. That would be interesting and helpful.

Mr. SOLARZ. I might add, by the way, Senator, that the 1970 world health report indicated there were 250 million malnourished children under the age of 5 in the world. And the total number of beneficiaries in our entire title II program, I think, is around 60 million, of which

obviously an even smaller number are in the preschool feeding programs. So, I think we can see that only a minute percentage of the total number of malnourished children in the world are getting food under preschool feeding programs. And to the extent that many of them are not actually malnourished, we are depriving other youngsters who are malnourished from desperately needed assistance.

My second amendment would provide that before any purchase of title I food could be authorized, the President would have to determine that adequate storage facilities are available, to which the title I food is going to be shipped. And the reason for this has to do with a situation I am sure you are familiar with, that occurred in 1976 in Bangladesh, where a substantial amount of title I aid was sent, in spite of the fact that they had a bumper harvest that year; they lacked adequate storage facilities to handle the food, and as a consequence a substantial amount of it was lost through rotting and by rats on the wharves of that country.

Senator STONE. May I interrupt for just one second? I raised that question on Bangladesh yesterday before the full committee, we raised this experience; and I mentioned the fact that at least at the Embassy level they were telling us that this year they have not had a bumper harvest, as a matter of fact, particularly their rice crop had shortfalls; that they have excess storage and that it would not happen any more. Congressman Solarz just visited there, is that your impression, that they now have more storage and that this mess would not happen again?

Mr. SOLARZ. I think that it is unlikely, over the long run, that Bangladesh is going to be a food surplus nation; obviously food deficits are a recurring problem. But I do not think that should relieve us of the obligation of factoring into the bureaucratic process of deciding how much food to send to a country the question whether or not they have the capacity to store it.

Senator STONE. Or distribute it.

Mr. SOLARZ. Or distribute it. I think the problem now is that there are a number of considerations taken into account in determining how much title I food to send into a country. But among the factors no one pays sufficient attention to whether or not they have the capacity to store it. In the long run I cannot think of anything more calculated to undermine the broad base of support that the title I program has in this country than to send food to a nation that ends up rotting on the wharves of that country. I just think this would be a useful addition.

Senator STONE. Right.

Mr. SOLARZ. My third suggestion would call for the repeal of that part of section 103(d), a kind of political anachronism embedded in the law, which forbids Public Law 480 aid to countries which trade with Cuba and Vietnam. I make this suggestion for a number of reasons.

First of all, as you know, we are now in the midst of enacting legislation both in the House and the Senate, to prohibit American firms participating in the secondary and tertiary boycotts of Israel. We will be taking a firm position that while primary boycotts are entirely legitimate, secondary and tertiary boycotts are not. I think it would

be inconsistent with the spirit of that legislation for us to continue in effect a provision of the law which obligates us to impose secondary boycotts on other countries with respect to Public Law 480 because they trade with Cuba and Vietnam.

Certainly, in light of the improvement of our relationship with both of those countries which is now underway, that provision would appear to be an anachronism. And also, there are very strong humanitarian considerations which indicate the need for repeal of that amendment.

Just a few years ago, at the height of a terrible famine in Bangladesh, when literally thousands of people were starving, we held up a shipment of title I food to that country for several weeks simply because Bangladesh had sold a little bit of jute—their major product—to Cuba. It seems to me that putting ourselves in a position to deny desperately needed food to a country because it sold a couple of bags of jute to Cuba, does not put us in the best light possible. So, I feel that the repeal of that provision in the law would be a constructive improvement.

The next suggestion would in effect apply the so-called Harkin or human rights amendment, which now relates to our direct bilateral development assistance program and to title I of Public Law 480 as well. It provides that no title I aid shall be given to countries which engage in a gross and systematic violation of universally recognized human rights, unless that aid was used for specific projects which would directly benefit the needy. That is essentially what we now say with respect to our direct bilateral development assistance.

Now, of course the proceeds of title I food under the existing program can be used by a country in any way they see fit. This creates some political problems with the program in our own country, to the extent that repressive regimes get title I food, sell it on the market, and are then in a position to use the proceeds to finance their military activities.

Under my amendment the proceeds from the sale of any title I food to such a country would have to be used specifically for projects in the country which would directly benefit the needy. I think that would make the sale of title I food to such a country much more justifiable.

Senator STONE. Mr. Chairman, could I ask one question?

Senator CLARK. Sure.

Senator STONE. Would it be easier just to prohibit its sale, that they could give it away but not sell it; or that they can give it away only to the needy, but they cannot sell it?

Mr. SOLARZ. That would be one possibility. We could provide that in the title II assistance to the country. As you know, however, Public Law 480 serves many purposes, only one of which is humanitarian assistance. It also serves the purpose of developing a market for American exports. I do not know that we can necessarily deny the administration the flexibility—

Senator STONE. I am talking in just those cases where there are violations of human rights. In that case, where you say in your proposal that you restrict such title I aid to cases where the needy are directly benefited. Should you not also provide that in such cases the food not be sold to the needy?

Mr. SOLARZ. Well, if in effect you would do that, you would preclude the use of concessional terms which ultimately result in the situation that those countries pay us back. You would in a sense give an advantage to a repressive regime and say in effect that the only food we would give to them would be title II food, which is given out on a grant basis; whereas other countries, which are not repressive might not only get title II, but also title I which ultimately they have to pay back.

What I am proposing is that we give them title I and make sure the proceeds from the sale of that food is only used for projects which help the needy. I do not see that that is any less advantageous than giving it to them in the form of title II assistance.

Senator CLARK. Just one question, I happen to support the Harkin amendment. You are going to be taking up the food aid program in the International Affairs Committee, as well as in the Agriculture Committee, on the House side. I had the impression that the Harkin amendment had been dropped in the Foreign Aid bill in the House. Is that a misconception?

Mr. SOLARZ. I think what the Senator is referring to is the bill which was just voted out of the House Committee on Banking and Currency, and its subcommittee on International Financial Institutions.

Senator CLARK. Oh, yes.

Mr. SOLARZ. Chairman Reuss came up with an amendment that is somewhat different from the Harkin amendment, which applies to our own bilateral assistance program. Reuss' amendment was adopted by the committee. I think tomorrow an effort will be made when the bill comes up on the floor to substitute the original Harkin amendment, the Harkin language. But I think there is an important omission in not having a human rights amendment attached to the Public Law 480 title I program, since that constitutes a very significant percentage of our overall programs.

Senator CLARK. In other words, you are just trying to unify the system so that whatever is adopted, the Harkin language or whatever, would be in the Foreign Aid bill and would apply to Public Law 480 as well.

Mr. SOLARZ. Yes, because it would broaden the base of political support in this country. And also because, very frankly, I think we ought to be helping the poor people all over the world. The fact that they have a repressive regime should not mean they are denied the opportunity to eat.

I just want to make sure that if we give title I assistance to a country with a repressive regime, they are not going to use the proceeds from the sale of that food for repressive purposes.

Senator CLARK. Right. Senator Dole?

Senator DOLE. Do you have some countries in mind? I assume you must have had some in mind when you drafted the amendment. Who determines if there are patterns of gross violations, who makes that judgment?

Mr. SOLARZ. I think that the judgment would be made in the same way the judgment is made now, on the basis of existing human rights sections of the law with respect to bilateral development assistance programs.

Senator DOLE. Do you have some title I countries in mind now?

Mr. SOLARZ. Well, one possibility might be, for example, South Korea; another possibility might be the Philippines, although I emphasize the fact that under the terms of the existing human rights provision such a determination has not yet been made with respect to direct development assistance to those countries. But I think a persuasive and certainly powerful case could be made if countries do engage in systematic violation of human rights, if such a conclusion were reached under the terms of the amendment that I am suggesting—meaning if we gave title I food to South Korea, the amendment would not prohibit that; but the South Korean Government would then be obligated to use the proceeds from the sale of that food for specific projects designed to help the needy in their country, rather than being able to use the funds as they can now, for whatever purpose they see fit.

Senator CLARK. Well, just to pursue what Senator Dole was saying, under the present Harkin amendment that was adopted a year ago, the administration is required I think, to make a report on whether there are violations. And then that is subject to congressional veto over aid to countries in violation?

Mr. SOLARZ. Well, under the Security Assistance Act, a congressional determination that no more bilateral economic assistance should be given to the country, by a joint resolution, so that it can be terminated. Of course, we also retain the right when the economic assistance program comes up for review to determine whether there is a pattern of human rights violations sufficient to justify a cutoff of aid.

But what the Harkin amendment provides with respect to direct economic and humanitarian assistance is that as a matter of general policy no such assistance should go to a regime that engages in a systematic violation of universally recognized human rights, except to the extent that such aid is used to benefit the needy of that country. So, there is an escape clause by which we can continue to provide the aid, as long as it goes to the poor people of that country.

Senator DOLE. Well, we would have to police that, then; how are we going to do that?

Mr. SOLARZ. Well, first of all, Senator, that is entirely consistent with the new directions policy which was adopted by the Congress in 1973, in which we said in effect that in the future the thrust of our development assistance programs should go to help the poorest of the poor in poor countries of the world. So, to a large extent we are doing that anyway.

But I think there is a fundamental policy imbedded in that amendment which is if we are going to be providing economic assistance, particularly to repressive regimes, it ought to go to the people who are genuinely in need. Now, to some extent then we have to monitor that, but we are already doing that, and therefore I do not think that is a particularly onerous administrative burden on the Agency for International Development.

Now, my next suggestion—

Senator CLARK. That is No. 5, coming up?

Mr. SOLARZ. This will be No. 5, and that relates to several changes in the grant back provisions of title I programs which were adopted in the last Congress. I think there is some thought given to that by yourself, Senator, and by Senator Humphrey to the establishment of a new title III program. We do it in the form of a new part 2 in the framework of title I, but that is a matter which counsel and the draftsman can work out in terms of what is more desirable.

Our changes would provide for the following: First we would eliminate the 15 percent ceiling on grant backs now. I see no reason to have an artificial limitation to that aspect of the program, which I think is potentially a very constructive one. We all know the increasing debate among agricultural economists to the effect that title I constitutes a disincentive, to some extent, to increased agricultural production. Obviously, in the long run the only hope for these people is to be able to feed themselves; we cannot do it in perpetuity. And it really would be a tragedy if providing title I food to these countries should undermine their long-term capacity to feed themselves.

By keeping the grant back provision in, and eliminating the ceiling on it, we would in effect be encouraging the use of the proceeds of title I sales for development purposes, thereby mitigating whatever disincentives the title I program might have in the first place.

Secondly—and I think that is a particularly useful suggestion—we would add authority under title I, part 2, for the administration to finance the shipping costs for ocean freight for the poorest countries under the same concessional terms as food.

The reason I make this suggestion is that it turns out, as you know, that 75 percent of our title I food is supposed to go to countries where the per capita income is \$300 or less. I was amazed to discover in hearings we had a few weeks ago that there are 46 countries in the world where the per capita income is \$300 or less, and only 13 of them receive title I food from us. And one of the reasons—by no means the exclusive reason—but one of the major reasons is that a lot of these countries are so poor that they cannot afford to pay the cost of ocean freight and other shipping costs in order to get the title I food over there in the first place. And there is no provision in the existing law for us to pick up the cost of shipping. So, with this proposed change we would in effect authorize the administration in the case of the poorest of the poor countries, where there is a legitimate need and desire for title I assistance, but where the country is unable to participate in the program because they do not have the foreign exchange for the purchase price, for us to pay that for them on the same concessional basis we finance title I aid in the first place, only for part 2. We would ultimately get the money back. I just think if one of the major justifications for title I is humanitarianism. I feel it would be counterproductive to deny that aid to those that are so poor they cannot afford to get it over there. So, I think that would be a useful provision.

Senator CLARK. Well, I think, that we particularly want to look at, the administration proposal to change the distribution of food aid going to countries that are under \$300. One of the things that we certainly ought to take a look at in that respect is how much attempt

there has been to try to supply any of these countries, whatever there are, 30, or something like that, that have never received any food aid, and that do not receive food aid under the present program. I wonder if AID could supply us with a list of the 46 countries under \$300 per capita per year and a list of those that get food aid, so that we can make some judgment on why others have not received any.

Mr. SOLARZ. Of course, many of these countries do receive title II; but many of them do not get title I. I think if such a change were made it would undoubtedly facilitate an expansion of title I to countries with a per capita income of less than \$300.

And lastly, in this section of the law, we would deal with the problem that has developed with respect to the implementation of the grant back provision. I was amazed to discover also in this hearing that in spite of the enactment of the grant back provision, a significant improvement in title I, that not one single agreement has been reached with any country in the world to implement this grant back exemption.

Senator CLARK. Apparently there is not enough money.

Mr. SOLARZ. Well, one of the reasons seems to be, as far as we have discovered, Senator, that although many of these countries knew this section was available under title I, and is functionally equivalent to a grant, it did not seem worth the bother to set up programs in which the money could be utilized for development purposes. Frankly, I do not consider this a sufficient excuse. In order to deal with it administratively and bureaucratically, we recommend that in the framework of the grant back program we establish a minimum amount of the total title I program must be used for grant back purposes: 5 percent in the first year, 10 percent in the second year, and 15 percent in the third year. This would be a floor, not a ceiling. This would presumably create an incentive not only for AID to process the grant back section of the law, but also for these countries to accept it, because ultimately if they did not accept it, they would not be getting as much title I assistance as they otherwise might get.

At the same time, in order to deal with problems that might be created if these countries in fact were unable to effectively develop such programs, we would be willing to put a provision in the law under which the President could waive this requirement if he found that the humanitarian objective of the act would be better served by financing the commodities under another section of the law than by withholding them.

My sixth suggestion calls for the establishment of a minimum of 6 million tons of commodities for Public Law 480. This minimum, I might add, would be subject to availability and could be waived once again by the President if he determined that it was impossible to use that amount of commodities in a way that would serve the developmental and humanitarian purposes of the act. We have programed at least 6 million—or more—tons, as I understand it, every year the program has been in existence. It remains subject to the availability of the commodities. But I think the advantage of that has to be seen in two ways. First, it would provide a better opportunity for planning the utilization of title I food in these countries, and they would pre-

sumably be assured of a fairly steady flow. And more importantly, to the extent to which we are now authorizing the administration to finance the cost of shipping out of the resources available for Public Law 480, this would make sure that they would not finance it by decreasing the level of commodities available for the total program, which, I think, would defeat our purposes. That would be additional money, rather than money which substitutes for the commodities, which are the purpose of the Public Law 480 program in the first place.

And lastly I want to talk about a small amendment, the idea for which I came across during my travels, which I think has some humanitarian significance. Right now under the Economic Assistance Act and Public Law 480, as a result of the regulations which have been promulgated by AID, we are not permitted to fund foreign-based private voluntary organizations, no matter how important the work they may be doing in a particular country; no matter how humanitarian or essential it may be. Private voluntary organizations can be utilized for the purpose of this act for distribution of title II food in school feeding programs, preschool feeding programs, and food-for-work programs.

The fact of the matter is that there are a substantial number of highly reputable and well-established foreign based PVO's like oxfam in Britain, like save the children, which is an Irish private voluntary organization, which are doing very good work in areas where American PVO's are simply not involved.

During my trip to Bangladesh I visited a number of such projects and was told by our AID personnel that in a number of instances they would very much have liked to have funded some of these organizations, but were unable to because of the regulations which prohibit us from using foreign-based PVO's for such purposes. For example, there was some kind of an urban development project in Dacca sometime ago as a result of which literally thousands of Bangladeshians were forcibly relocated outside of the city to squalid refugee camps in which there was really no opportunity for the men to find work and earn money to feed their families. Save the children, which is an Irish-based PVO, had a terrific feeding program there which was used not only to feed kids, but to organize the community, and provide educational and other health opportunities. We wanted to help them, but we could not because of this regulation.

My amendment would provide that where no American PVO is available to do the work—because I think they should be given first crack—and where a foreign-based PVO is doing a good job and serves the purpose of our act, to permit them to administer such a program. We should have the flexibility to engage their services. I think if it is a group that is doing good work, whether it is chartered in the United States or in Britain, or Ireland, or India, or wherever, should be functionally irrelevant.

So, these are several suggestions, perhaps not all earth-shattering in their significance, but I do believe that they would significantly enhance the humanitarian objectives of this legislation and enable us to get more of our aid to those who are genuinely in need; to maxi-

mize the development impact of this assistance, and at the same time to broaden the base of the political support in our own country for this.

Senator CLARK. We will be very happy to consider these amendments carefully. I would like to ask unanimous consent to put in the record after your amendment 6 the history of both the food aid programs in terms of a summary and several charts also which show the metric ton grain equivalent volumes and the dollar amounts spent on title I and title II food aid programs since the beginning of the program.

PUBLIC LAW 480 SHIPMENTS

[In millions of tons per MTGE]

	Total	Title I	Title II
1955.....	3,418	2,588	830
1956.....	10,070	9,045	1,025
1957.....	14,271	12,836	1,435
1958.....	9,228	7,460	1,768
1959.....	11,488	9,978	1,510
1960.....	14,325	12,724	1,601
1961.....	16,342	13,759	2,583
1962.....	18,778	15,851	2,927
1963.....	17,366	14,552	2,814
1964.....	16,776	14,016	2,760
1965.....	18,411	16,082	2,329
1966.....	18,157	15,454	2,703
1967.....	13,957	11,612	2,345
1968.....	14,579	12,396	2,183
1969.....	9,996	7,762	2,234
1970.....	10,938	8,727	2,211
1971.....	9,835	7,491	2,344
1972.....	9,905	7,167 (72%)	2,738 (28%)
1973.....	7,301	4,956 (68%)	2,345 (32%)
1974.....	3,276	1,773 (54%)	1,503 (46%)
1975.....	4,724	3,495 (74%)	1,229 (26%)
1976.....	4,357	3,370	987
Transition quarter.....	2,086	1,836	250

Food for Peace Program, Fiscal 1977

TITLE CONCESSIONAL SALES		TITLE CONCESSIONAL SALES—continued	
Country:	Millions of dollars	Country—Continued	Millions of dollars
Under \$300 per capita per year:		Over \$300 per capita per year—Continued	
Bangladesh.....	36	Philippines.....	12
Egypt.....	200	Portugal.....	50
Ethiopia.....	3	Senegal.....	3
Guinea.....	5	Syria.....	15
Haiti.....	6	Tunisia.....	5
India.....	37	Zambia.....	5
Indonesia.....	77		
Mali.....	1	Subtotal.....	205
Pakistan.....	64	Lebanon (special).....	19
Sri Lanka.....	48	Reserve.....	72
Sudan.....	6		
Tanzania.....	6	Grand total.....	800
Zaire.....	14		
Subtotal.....	504		
Over \$300 per capita per year:		TITLE II GRANT	
Chile.....	15	Region:	
Honduras.....	2	Near East.....	52
Israel.....	8	Latin America.....	69
Jordan.....	6	Africa.....	55
Korea.....	79	Asia.....	135
Morocco.....	6	Emergency.....	91
		Total.....	402
		Ocean transport.....	134

These charts are rather interesting. What they show is that in previous years, our food aid program was significantly larger when we had more surpluses. From the very beginning, in 1955, we shipped a total of 10 million tons that year. It got up to a high of 18.7 million tons in 1962; and as recently as 1972, 5 years ago, we were shipping almost 10 million tons. But then, as soon as the shortages began our shipments fell to 7.3 million; in 1974, to 3 million: In 1975, we shipped 4.7 million tons, and in 1976, we shipped 4.3 million tons. So, we have been down around 3 million or 4 million tons in recent years well under 5 million tons since the shortages began, which is less than one-third of what we were shipping 10 years ago.

We will certainly consider your amendments very carefully.

Mr. SOLARZ. We will send you, Senator, the actual text of the amendments as we plan to offer them in the House, and if you have any additional suggestions or ways in which you think they can be improved, certainly we would welcome them.

Senator CLARK. Thank you very much for coming over to testify. [The statement and attachment follow:]

Senator CLARK. Our next witness is John Ferch, the Director of the Office of Food Policy and Programs, Department of State.

STATEMENT OF JOHN A. FERCH, DIRECTOR, OFFICE OF FOOD POLICY AND PROGRAMS, U.S. DEPARTMENT OF STATE, ACCOMPANIED BY RIENARD OGDEN, CHIEF, FOOD FOR FREEDOM DIVISION

Mr. FERCH. Before I begin, I would like to apologize for Mr. Bosworth, who was scheduled to testify; he was delayed abroad.

Senator CLARK. That is fine.

Mr. FERCH. In discussing the State Department's view of Public Law 480, I plan to summarize my remarks* by focusing on four specific issues; first: Food aid as a developmental vehicle; second: Food aid as a foreign affairs instrument; third: The relationship of food aid to our north-south strategy, and finally, and very briefly, food reserves.

With regard to the use of Public Law 480, for development, which was a subject of much interest at yesterday's hearings, I suggest that it is first necessary to agree upon a definition of development. During the 23 years of Public Law 480's existence the definition of development employed by the U.S. Government has shifted from a macro-economic to a microeconomic focus. That is, we used to emphasize industrialization, infrastructure, and balance of payments. Today we seek to improve the lot of the world's poor. Now, I would suggest that you examined our food aid program during the early sixties, and use the definition then current, you will find that we were developmentally successful. Similarly, if you look at the programs of the last several years, you will find them adjusting to the new definitions, and meeting with some success. However, because the last several years have been a period of definitional change, we and other food aid donors have been under attack for failing to establish a more direct relationship between food aid and incipient countries' economic and social needs. It is with such considerations in mind that the adminis-

*See p. 129 for the prepared statement of Mr. Ferch.

tration supports without reservation efforts to make the Public Law 480 program contribute more directly to the economic development of recipient countries.

The State Department shares the views that you expressed yesterday, sir, and that Senator Clark expressed, that in order to more fully support long-term development, we obviously need to negotiate long-term, multiyear food aid commitments.

Now, while current legislation does not explicitly prohibit such commitments, two considerations make it difficult to implement them.

First, Public Law 480 currently is treated as a variable. By that I mean commodities are available to the program only if the Secretary of Agriculture determines that the domestic requirement is taken care of, and commercial export needs have been met. These are valid concerns. But the Secretary should be given some flexibility to assure that the Public Law 480 program commodities can be continued for multiyear commitments in emergency situations. Inclusion in the authority along these lines, as proposed by Secretary of Agriculture Bergland, would help to insure that a sharp cutback as has occurred in Public Law 480 in 1973 and 1974, years of tight supplies, that these would not be repeated.

The second consideration is more immediate, and relates to the extension of this legislation. Unless the legislation is extended for at least 4 years, it will not be possible to begin to negotiate multiyear development and food aid programs. An extension of 4 years or more would also indicate to the developing countries that there has been no change in our commitment as to food aid programs.

Mr. Chairman, you indicated yesterday that you had recently submitted proposed legislation for a new title III, which would link multiyear commitments more closely with economic development planning. The Department of State will read with great interest that proposal. Almost all countries today attempt to further agricultural development. Too many, however, have erratic and piecemeal programs. Sustained development requires comprehensive planning with a view to the long term. Our food aid can and should be made supportive of such comprehensive development efforts.

Turning now to the political dimension of food aid, we recognize that the foreign policy aspect of Public Law 480 is often spoken of as a misuse of the authority, notwithstanding the fact the legislation specifically states that the purpose of the program is to, promote, in other ways, the foreign policy of the United States. We do not agree, however, that using Public Law 480 for foreign policy purposes is a misuse of food aid. Most often people criticize using Public Law 480 for foreign policy purposes when they disagree with the particular foreign policy goal being pursued. It is certainly valid to discuss the desirability of our various policies, or even the efficacy of using Public Law 480 to achieve them, but to us it does not seem very realistic to suggest that Public Law 480 is somehow tainted by such use. If by the use of the Public Law 480 program we can make some contribution to the prospect of peace in the Middle East, help to resolve the situation in Southern Africa, assist Portugal's evolution into a prosperous democratic nation, or make some other contributions to overall foreign policy—we think we should do so.

Now, in a sense of course division of the international aspects of Public Law 480 into separate categories is misleading, as almost any program has aspects of the humanitarian, the developmental and the political intertwined in it. Although we should be sure that every program is justified on humanitarian and economic grounds, we should not regard those inspired mainly by foreign policy considerations as in any way undesirable. Nevertheless, in terms of priority we believe in the State Department that we should continue to give first emphasis to those programs predicted mainly on humanitarian and developmental considerations. This is fundamental to the philosophy that inspired our food aid program.

Turning to the north-south question, as you are aware, recent years witnessed the emergence to prominence of north-south issues, or perhaps more clearly said, of our relations with the Third World. The developing countries as a group criticize the structure of the relationship with the developed countries, and demand change. Food aid has not been exempt from such criticism. While much of that criticism has been irrational and ill founded, on certain points we must accept the merit of the argument: This is especially true in regard to our previous inability to commit food aid to multiyear programs.

Accordingly, the legislative changes suggested by the administration—and which I have just discussed briefly—would help to integrate food aid into our emerging north-south strategy. Such changes would signal to both Third World countries and to other food aid donors that the U.S. intends to work seriously toward food aid goals agreed to at the World Food Conference.

Discussions of Third World food problems and goals necessarily leads to consideration of food reserves. Food aid alone probably will not be able to meet the projected food needs of Third World countries. Our policy begins with this premise and reaches the conclusion expressed by Mr. Hjort yesterday that world food security should be enhanced through an international system of nationally held grain reserves. Food aid and international grain reserves are in fact complementary. The first satisfies needs that otherwise would not be met because of poverty. The second, by moderating prices and accumulating supplies reduces the need for the first.

Finally, Mr. Chairman, I would also indicate the Department's strong support for the administration's proposed amendment to section 111 which, as you know, provides that at least 75 percent of title I programs be directed to countries with a per capita income of \$300 or less. The administration's proposal is to use the IDA poverty criteria currently \$520. Our position is quite simple. \$300 in mid-1977 is not what it was in 1975.

Thank you.

Senator HUMPHREY [presiding]. Thank you.

The latter position, I feel, is very desirable. We have an internationally based formula and should use it. IDA is directed to the poorest of the poor. Their cut-off point is \$520 which is a fair figure.

Senator Dole, do you have any questions?

Senator DOLE. Were you here during the time the previous witness testified, did you listen to the proposed changes?

Mr. FERCH. Yes, sir.

Senator DOLE. It might be a good opportunity for you to comment on any of those of Congressman Solarz. I think many of them have some merit.

Mr. FERCH. The first one, on preschool feeding, seems rational. We have not talked about this in the Department, however. This is my personal reaction.

On the storage proposal, that certainly is a valid recommendation. I would say however that storage is not the only consideration we should take into account. The shipping schedule is obviously also important.

Senator HUMPHREY. Is very important.

Mr. FERCH. No one stores enough for a full year. So, perhaps we should look at this in a broader sense than just storage; but I think the idea is a valid one.

With regard to the proposal to amend those articles dealing with countries that trade with Cuba or Vietnam, the administration is also reviewing this issue. I think I can say tentatively that we would look with favor on the amendment.

Senator DOLE. On countries trading with Cuba and Vietnam.

Mr. FERCH. Turning to the proposal on human rights, I think you will find in my prepared testimony reference to this issue in relation to Public Law 480. We would make two points. First, the policy that the Congress has dictated and we have followed is that assistance that benefits primarily to a government is one thing, and that assistance benefiting people is another thing, regardless of the character of the government. Food, almost by definition, benefits the people. I think, therefore, that you get into a definitional problem when you talk about human rights and Public Law 480. Second: There would appear to be a conflict between the right to food resolution that the Congress passed last year and any decisions to deny food aid to certain peoples because of their government.

Senator HUMPHREY. Can you not use title II to a greater extent where there are at least recognized patterns of gross violations of human rights, and you want to be helpful to the people, than title II administered through voluntary agencies?

Mr. FERCH. That certainly would be an approach. However, I would suggest, sir, that when you are in a situation that has become repressive and you traditionally used title I, and you try to shift to title II, you might not be able to.

Senator HUMPHREY. Because the necessary structure does not exist.

Mr. FERCH. Correct, the lack of structure might not permit the transition.

Senator HUMPHREY. They might not want that structure. We had some problems one time with that with Yugoslavia—you are too young to remember. There was an argument as to whether we could give food aid through voluntary organizations, or whether it had to be done with governmental control. I don't know how we reconciled it, somehow we worked it out; but for about a year or so it caused a lot of trouble.

Mr. FERCH. The next proposed amendment relates to 106(b), that is the grant back provision. As I indicated in my summary and at

more length in my prepared remarks, we certainly seek to make Public Law 480 more effective. As I understand your proposal, it would center on 106(b) as well. I think that is a logical place to start.

On the 6 million tons, in preparing the administration's position on the legislation, we considered the possibility of 6 million tons as a minimum. The alternative course is to amend section 401, which concerns availability. The problem with 6 million tons alone is that without amending 401 you do not have supply assurance. So, it would be simpler just to amend section 401.

Senator HUMPHREY. And what would you do in amending 401?

Mr. FERCH. We would have a waiver provision.

Mr. OGDEN. It would give the Secretary flexibility to make commodities available under certain short supply situations for humanitarian and development purposes.

Mr. FERCH. The last proposal concerns foreign voluntary agencies. Unfortunately I am not versed on this issue and thus cannot comment.

Senator DOLE. Well, I think you posed some very good questions and some fair suggestions, I thought it might be well to have your comment. I glanced at your entire statement, and you touched on it some there.

Are there any considerations underway at the State Department that relate to food assistance—that relate food assistance to human rights questions; are you doing anything in that area?

Mr. FERCH. In the sense of specific programs, or with respect to the legislation?

Senator DOLE. Well, specific programs, this one in particular.

Mr. FERCH. Well, as I said, we have looked at the issue. It seems to us that this issue does not arise since food aid today is either given through title II, which by definition is humanitarian, and therefore reaches people regardless of the regime, or through title I, and therefore has to be spent on developmental purposes. Whether such programs have been effective is another question—that is the question we have before us in title III, section 106(b)—because of Public Law 480's basically humanitarian and developmental focus we do not believe that it would be appropriate to restrict its use, except in very extreme cases, and I do not think we are confronted with any extreme cases in any recipient country.

Senator DOLE. That is all I have.

Senator HUMPHREY. By the way, Senator Dole, we are addressing this problem in the Foreign Relations Committee, and we did modify the Hawkins amendment in the subcommittee markup, to give more flexibility. That will go before the full committee by the end of this week. We will see what happens.

Might I ask in light of Senator Dole's question for your comments on the proposals made by Congressman Solarz? Please give us a written commentary on each of his proposed amendments.

Mr. FERCH. I would be happy to.

Senator HUMPHREY. We will keep the record open for that. Is Tom here? I call Tom Mr. Public Law 480.

Senator DOLE. Mr. Tussey has had a lot of experience.

Senator HUMPHREY. You two could take those amendments, the whole series of amendments, and look over all the proposed amend-

ments and see how they fit in. At least we ought to have them on a checksheet when we mark up the bill.

Mr. TUSSEY. We will do that.

[The following material was subsequently submitted by Mr. Ferch:]

DEPARTMENT OF STATE,
Washington, D.C. 20520.

DEAR MR. CHAIRMAN. This letter is in response to your request to Mr. John Ferch, Director, Office of Food Policy, Department of State for Comments on amendments to the Agriculture Trade Development and Assistance Act of 1954 proposed by Congressman Solarz.

My comments will appear in the same order as the proposed amendments were discussed by Congressman Solarz in his testimony before the subcommittee.

1. Title II Preschool Feeding Program. The Department does not oppose this amendment which is consistent with the current goals and guidelines of PL 480 Title II preschool and maternal child feeding programs. Priority already is given to those children suffering from malnutrition. Program guidelines also state that these programs should reach the "poorest of the poor". Title II programs also use indigenous outreach workers in several countries to reach people in remote areas.

It should also be pointed out that preschool feeding and MCH programs are preventive programs as well as curative. Without Title II food, some "borderline" children would quickly drop into the malnourished category. Therefore, judgment must be used to determine when such children should also receive Title II rations.

Since the amendment states that these guidelines are to be encouraged and implemented to the extent feasible, we do not oppose its provisions.

2. Adequate Storage Facilities. The Department supports the revised version of this amendment, recently adopted by the House International Relations Committee, during its consideration of amendments to the Agricultural Trade Development and Assistance Act of 1954. The amendment adopted by the HIRC reads as follows:

"Section 112. Before entering into agreements with developing countries for the sale of agricultural commodities under this title, the President shall determine, taking into account predicted harvests, expected shipments from other sources, existing stocks and projected levels of consumption, whether or not there is a substantial likelihood that adequate storage facilities will not be available in the recipient country. In the event that he finds that such a likelihood exists, he shall implement a monitoring system to assure in connection with each purchase authorization that the requisite facilities are available. The shipment shall not take place unless the President makes a determination on the basis of this monitoring system, that in all probability, adequate storage facilities will be available.

3. Repeal of Section 103(d)(3). The Department supports the proposed amendment, which is consistent with the Administration's position. As indicated in our letter to Senator Talmadge of April 25, the Administration favors removal of that part of Section 102 which provides that the Commodity Credit Corporation should not finance the sale and export of agricultural commodities for any exporter who trades with Vietnam, deletion of Section 103(d)(3) which prohibits PL 480 Title I programs with and country which trades with Cuba or Vietnam, deletion of Section 103(d)(4) which prohibits Title I PL 480 programs to the United Arab Republic (Egypt) and repeal of Section 411 which prohibits food aid to Vietnam unless specifically authorized by Congress. An amendment adopted by the HIRC provides for deletion of the first three above mentioned provisions, but does not include repeal of Section 411. The Department continues to support deletion of this Section also.

4. Human Rights The Department does not object to Congressman Solarz's human rights amendment in the form recently adopted by the House International Relations Committee. The Department wishes to note, however, that the procedure provisions are unnecessary and may add to administrative burdens. All recent Title I agreements contain a provision requiring that the proceeds from the sale of the commodities under the agreement will be used for programs or activities which benefit the poor majority. The need for the President to determine which projects or programs benefit the needy people of a recipient country would be cumbersome and in fact unnecessary.

5. Food for Development Programs. The Department supports the concept of multi-year developmental food aid programs which is contained in your bill S-1169. It believes that Congressman Solarz's food for development amendments, in the form recently passed by the House International Relations Committee, are consistent with the new Title III development programs proposed in your bill. Unfortunately, the House did not amend Section 401 in a way so as to ensure that commodities will be available for both humanitarian and developmental food aid programs.

6. Six Million Ton Minimum. The Department opposes the proposed amendment. While for the past three years we have attempted to program approximately this level, we do not believe the amount should be legislated. We believe that PL 480 program levels should be based upon projected food import requirements rather than arbitrary minimums. Also, the proposed minimum could lead to increased budget outlays.

7. Foreign Private Voluntary Organizations. The Executive Branch is opposed to this amendment. Current regulations governing PL 480 Title II food distribution require that commodities be distributed only by registered American voluntary agencies and that these agencies maintain residence staff in the country in which they are actually distributing food. This enables the United States to assure closer control over the programs and permits legal recourse if necessary. We would have less control over foreign voluntary organizations.

This amendment has been informally discussed with representatives of American voluntary agencies who oppose it and feel that any increased voluntary agency involvement in PL 480 activities would be best undertaken by themselves. In addition, the American agencies point out that on occasion, they have, under existing authorities, utilized foreign agencies in a subcontractor role and that a part of their continuing pattern in many countries is the use and development of indigenous organizations.

This completes the Department's response to your inquiry regarding its views on Congressman Solarz's proposed amendments. Department comments on your proposed bill (S.1219) will be transmitted as soon as the process of interagency clearance has been completed.

If I can provide you with any further information, please let me know.

Sincerely,

DOUGLAS J. BENNET, JR.,

Assistant Secretary for Congressional Relations.

Senator HUMPHREY. You spoke of the need for multiyear commitments in providing food aid. Would you suggest that the law now be changed, or is the current law adequate?

Mr. FERCH. The current law, under 106(a) permits multiyear programs; but section 401 undercuts that provision by saying you may not have the grain available when the time comes. So, the proposal of Secretary Bergland, as he testified before the committee, would get around that problem.

Senator HUMPHREY. What about the Budget Control Act? Bob, I think that has some limitations, we ought to check into it. I believe that there is some limitation there, I believe that program has to be budgeted annually. We run into the same problem on the long-term commitments with the international banks. We have language that we are putting into the Authorization Act that relates to the appropriation process. Even though we make a long-term commitment, a moral commitment, we have to make it clear to the recipient countries, or to the international institution, that it is subject to the congressional processes.

Mr. FERCH. Sir, if I might add one thing and I would like to be clear about this, we are not seeking authority for multiyear commitments, just for the sake of having programs that last 5 years. We want the programs linked to real economic development.

Senator HUMPHREY. I understand. I guess you know I feel very sympathetic to that.

You talked about a connection between Public Law 480 and food reserves. Now, we know the administration's position on on-the-farm storage for domestic food reserves—Senator Dole and I have come to a meeting of the minds on that—the question is, do you support having the Government hold any reserves that relate to international reserves?

Mr. FERCH. May I answer that in two parts? You also have submitted a proposal for small reserves to back up Public Law 480.

Senator HUMPHREY. That is correct.

Mr. FERCH. We are looking at that with interest. I could not state our position on that, but it is an interesting idea.

Senator HUMPHREY. We want you to get a position because we are going to mark up this legislation.

Mr. FERCH. We are in the process of that. I did not speak directly to that because I do not have the authority to say that.

Senator HUMPHREY. I understand.

Mr. FERCH. The other thing relates to the proposal we put forward in September of 1975 for an international system of grain reserves.

Senator HUMPHREY. Yes.

Mr. FERCH. And on this I might add that negotiations have been going on in the last year, and we will resume again in June when the International Wheat Council meets. We feel that it is not necessary to have Government-held reserves for that purpose. The system proposed by Secretary Bergland—and reported in the papers today—would permit participation in an international system. The remarks I made here refer to an international system.

Senator HUMPHREY. I understand. Again, I think it would be very well for the administration to get its position down here on this subject as soon as possible so that we can start marking up this legislation.

Mr. FERCH. We will do that.

Senator HUMPHREY. Senator Dole, do you have any questions?

Senator DOLE. No.

Senator HUMPHREY. Well, thank you very much, you have been very helpful.

Mr. Robbin Johnson, assistant vice president, Cargill Grain Co., Minneapolis, Minn. Mr. Johnson, we welcome you and thank you for taking the time to share with us your thoughts.

STATEMENT OF ROBBIN JOHNSON, VICE PRESIDENT, CARGILL GRAIN COMPANY, MINNEAPOLIS, MINN.

Mr. JOHNSON. Thank you, Mr. Chairman. I have a very short statement, and it might be easier if I just read it.

Senator HUMPHREY. Why not do that?

Mr. JOHNSON. The subcommittee has asked me to discuss the role of market development in Public Law 480. I would like to approach this subject by stressing how market development can play a constructive role in advancing the goal of food security. This involves looking at three subjects:

One: The relationship between grain supplies and distribution of grain through aid and trade;

Two: The needs which food aid must meet; and

Three: The implication of such a food aid strategy for humanitarian and market development objectives.

Public Law 480 was initially passed at a time when grain supplies in the United States and the world exceeded commercial demand. In fact, Commodity Credit Corporation wheat stocks in 1955 exceeded total domestic and export use that year. Food for peace offered a means of reducing these burdensome surpluses, assisting allies in rebuilding their economies and providing food to countries that otherwise could not afford it.

Even after some early Public Law 480 recipients made the transition to commercial export customers, surpluses continued. The pressure of surplus stocks stimulated increased shipments to noncommercial customers and the development of programs to expand future commercial markets. Such shipments totaled more than one-fifth of all U.S. agricultural exports until the mid-1960s.

Circumstances had changed by the beginning of this decade, however, and by 1973 excess stocks had largely disappeared as commercial exports surged. For the first time, potential conflicts emerged between commercial and food aid flows.

Good harvests the past 2 years once again altered the situation. U.S. and world wheat carryover stocks have been rebuilt. More importantly, the experiences of recent years have indicated that the conflicts between commercial demand and food aid requirements can be avoided. Central to this change has been growing support for a conscious U.S. grain reserve program.

Such a program avoids many of the costs of surpluses by limiting excessive accumulation of Government-owned stocks. It avoids risks of premature release of stocks by separating acquisition and release of grain from such stocks by a wider price band. In other words, a conscious grain reserve introduces greater security and stability to U.S. stocks policy.

Strains on grain supplies also arose because of consumption policies in major importing countries. The U.S. substantially reduced its grain consumption in 1974 in response to scarcity, but many commercial customers maintained grain use at high levels by insulating their internal prices from external events. As a result, market forces were not permitted to redistribute grain to areas of greatest need.

The GATT talks offer an opportunity to improve on this performance. U.S. interests in expanded access to markets can be blended with importers' desires for access to supplies in ways that can ease burdens of future adjustments to temporary supply disruptions.

In other words, for our purposes here, harsh conflicts between commercial demands and food aid commitments can be avoided through improved stock management and trade policies. This should eliminate the tension that triggered the requirement that 75 percent of Public Law 480 title I shipments must go to countries with per capita incomes below \$300. Removing that requirement will improve in our judgment the effectiveness of U.S. food aid. It will also support a more flexible food aid strategy that can serve both the immediate food needs and the longer-term development requirements of recipient countries.

In developing such a food aid strategy, it is important to distinguish the various roles Public Law 480 can play. First, it is a means of covering the chronic food deficits of some developing countries. Such countries currently lack the resources to produce sufficient food

supplies internally or to purchase them commercially from other countries.

First: It is a means of covering periodic fluctuations in food aid requirements. These temporary needs can arise from poor harvests, natural disasters, civil disturbances, or sudden deterioration in a country's balance of payments. Unlike chronic food aid needs, these periodic requirements are difficult if not impossible to predict.

Ensuring sufficient commodity supplies to meet both kinds of immediate assistance represents what can broadly be described as the humanitarian objective of Public Law 480. A food aid strategy based on this goal alone, however, is incomplete and sometimes self-defeating. For example, massive food aid shipments to cover current deficits can encourage cheap food policies in recipient countries which undermine prospects for expanded indigenous food production.

Alternatively, the opportunity to use food aid as a resource to develop other parts of the economy may be overlooked. While some countries have the capacity to pursue goals of food self-sufficiency, others cannot achieve self-sufficiency except at high cost to their development. For them, greater food security may involve generating the capacity to pay for needed imports with earnings from trade in other commodities.

In other words, providing food commodities is only part of a policy to increase food security. Problems of hunger are linked directly to poverty, underemployment and population growth. Solutions require progress on all fronts, and Public Law 480 should be seen as a tool to transfer commodities to meet interim food needs while also generating resources to support a broader process of economic development.

This brings out three implications I would like to stress. It means first of all that the strengths of Public Law 480 in meeting humanitarian needs continue to be relevant. It has proven to be an effective means of harnessing public financing and private marketing or charitable institutions to move and distribute food aid efficiently.

Second: Public Law 480's initial objective of surplus disposal has been supplemented increasingly by the goal of using food as a resource to spur rural development in recipient countries. Public Law 480 is now a means to encourage expansion of rural employment, economic development and purchasing power. More income in the hands of the poor means larger markets for indigenous food production, but it can also mean growth of food imports.

The result is not a conflict between humanitarian and market development goals but a realization of both objectives. Food security is increased by providing people with more food while equipping them with the means to pay for even better diets.

Finally, continued emphasis on traditional market development efforts also can exert some important disciplines that contribute to greater food security. For example, a part of any market development strategy is providing grain supplies on a reliable, regular basis over a sufficient period of time to be incorporated into the development strategies of recipient countries. This can be achieved by ensuring that some of the Public Law 480 resources plowed back into recipient country development go to strengthen internal food distribution net-

works. In addition to storage facilities, this means particularly investments in marketing, handling, and transportation capabilities.

The result is not only an increased marketing capability but also improved food security. Greater efficiency in internal distribution networks helps ensure that availability of food to countries translates into availability of food to individual households.

In other words, what I tried to stress this morning is that market development can be pursued in ways that serve the humanitarian goal of greater food security as well. Providing food aid to those most in need will increase total food consumption. Using Public Law 480 as a transfer of resources to anchor development in rural areas, therefore, can generate both the demand and the ability to pay for additional food supplies from indigenous production and from imports.

Similarly, use of Public Law 480 resources to build distribution networks improves the reliability of food supplies for individual consumers. The resulting improved food security can often mean larger markets for U.S. farmers as well as for indigenous production.

Senator HUMPHREY. Mr. Johnson, I want to compliment you on a very succinct statement, and I think an excellent one. Your analysis under the subheading of implications for market development and humanitarian objectives states what I think are the truly legitimate and worthy objectives of Public Law 480, the emphasis on the humanitarian assistance, pointing out that Public Law 480 can benefit a country during periods of food deficits and emergencies, can also generate rural development, which in turn increases income, which in turn means a better market for indigenous products, and a better market for our exports and for their imports. I think that is really putting it together as it needs to be, so we can get an overall comprehensive look at the policies of Public Law 480 and its purposes.

Also your emphasis on plowing back into the economy some of the resources generated by Public Law 480 is very helpful. You mentioned here country development goes to strengthen internal food distribution networks; this is one of the bottlenecks. No matter how kind and charitable we may seem to be, if we do not have a distribution system in the recipient country, you waste a tremendous amount of it. That, of course, brings about a good deal of criticism.

I want to thank you. I am going to have to run along, Senator Clark. Before I go I want to ask Mr. Johnson if it is possible to share with you a copy of the bill I introduced, S. 1219, entitled "The Domestic and International Food Security Act," I will ask the staff to bring that to your attention, and get your comments on it at a later time. I would appreciate written comments, if possible.

Mr. JOHNSON. We would be happy to.

[The following material was subsequently submitted by Mr. Johnson:]

CARGILL,
Minneapolis, Minn., April 15, 1977.

HON. HUBERT H. HUMPHREY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HUMPHREY: During my testimony April 5, 1977, on Public Law 480, you asked me to comment on the bill you introduced entitled the "Domestic and International Food Security Act of 1977" (S. 1219). As you know, Cargill

has long supported a conscious grain reserve program designed to protect producers and consumers alike from the risks of wide, unforeseeable fluctuations in grain supplies. I welcome this opportunity to comment on the proposal you have introduced to achieve this goal.

S. 1219 advances two programs. Title I provides incentives to encourage farmers to store grain in periods of ample supplies to be available in periods of relative shortage. Title II prescribes specific obligations for the United States in generating greater food security for the populations in developing countries. It also encourages the U.S. to pursue negotiation of an international reserve mechanism for sharing those obligations.

Both are important initiatives, and I would like to treat each of them separately.

TITLE I

Title I establishes a mechanism to provide farmers incentives to hold surplus grains and a set of release triggers to bring those stocks back onto the market in periods of relative shortage. We strongly support the two central features of your proposal for a farmer-held reserve: (1) specific, known price triggers around a relatively wide price band within which normal market forces can operate; and (2) specific, known limits on the maximum quantity of grain to be held in reserve.

These two ideas are crucial in achieving a proper balance between the interests of producers and consumers in a grain reserve strategy. They have been the cornerstones of the conscious reserves program Cargill has consistently advocated.

Within this broad range of agreement, however, we have some concerns about the specific provisions for release of grain from these farmer-held stocks. For example, when market prices rise to 150 percent of loan levels, the Secretary of Agriculture "is authorized to call for delivery to the market one-quarter of the commodities stored by" participating producers. Participating producers would be required to repay the outstanding loans on that quantity called for delivery or, within sixty days of the date of such a call, to pay the loan plus accrued interest or establish that the undelivered quantity has been "marketed or otherwise disposed of . . . and an equivalent portion of the principle of such a loan has been repaid."

Our concern is that this approach may be too restrictive. It tends to force one-quarter of the farmer-held stocks onto the market within a relatively short period of time. As you know, the balance between supply of and demand for grains can be delicate. There is some risk that forced delivery of this quantity of grain—which could be as much as 150 million bushels of wheat or 600 million bushels of feedgrains—could exceed the amount needed to bring supply and demand back into equilibrium. If that was the case, the effect could be destabilizing on prices in the short term. It could also result in incorrect signals to producers planning their allocation of farm resources for the coming crop year.

While the formulas applied in Title I when prices reach 175 percent and 200 percent of prevailing loan levels are somewhat different in their mechanics, the effects are similar. We believe that it would be preferable to use more flexible release triggers. Instead of calling for delivery, the Secretary could reduce storage incentives progressively as each of these price triggers is reached. This would permit market price signals and producer reactions to those signals to determine the quantity and rate of release of grains from these stocks.

There are several reasons why this would be preferable. *First*, it avoids the risk that stocks will be dumped on the market in a manner that could destabilize prices. *Second*, it enables farmers to make better judgments not only about their current marketing practices but also about future planting decisions.

Finally, and most importantly, leaving these release decisions to the judgment of producers and the interplay of market forces harnesses the strengths of our grain production and marketing system in service to the objective of greater supply security. Both farmers and grain users would be encouraged to formulate their own judgments about the degree to which supply is out of balance with demand.

In these circumstances, we would expect that grain flows out of stocks into marketing channels would proceed more smoothly. At the same time users would be encouraged to defer marginal or unnecessary consumption or purchases into periods of greater supply availability. By encouraging users to

reduce pipeline stocks, adjust feed formulas and alter livestock or poultry placements, equilibrium will be restored to prices and supplies without abrupt price changes or severe dislocations in consumption or production plans.

This last point is extremely important. As a number of economists have pointed out, crop shortfalls in one part of the world tend to be offset by good harvests elsewhere. Is the absence of trade barriers and other policies which distort consumption practices, necessary adjustments to periodic crop shortfalls could be made with only relatively modest price changes.

Since such barriers and intervention policies exist in a number of important grain-consuming areas of the world, reserve stocks are necessary to ease adjustment burdens. But, management of those reserve stocks should not eliminate the discipline which market forces exert and the incentives they create to eliminate those distortions over time.

A stock management policy which ensures that excess stocks will be carried into periods of relative scarcity but which still imposes some discipline on consumption policies would be more constructive than a program which dampened that discipline by ensuring the absolute availability of stocks at predetermined prices.

Section 103 (a) of Title I specifies that the total quantity of such reserve stocks held in farmer hands should not exceed "one-third of the average annual total production of such commodity for the previous three crop years, or the level recommended by the Secretary after one year of study." We think that Congress should set the maximum quantities for reserve stocks to reduce political pressures on a Secretary of Agriculture to change levels in response to short-term interests. The Secretary's authority should be limited to recommending to Congress changes Congress should make in those maximums.

The proposed upper limits—one-third of production—would set upper limits of 600 to 700 million bushels for wheat and 2 to 2.2 billion bushels for corn. While we recognize that these are upper limits, they seem to be excessively high. An upper limit of one-fifth of average annual total production for wheat would yield stocks of 400 million bushels in an insulated reserve. This should be sufficient to cover all foreseeable demands on those stocks needed to make the transition from one crop year to the next.

Since past experience has shown that substantial consumption adjustments can be made in the livestock industry through reduced grain feeding and adjustments in animal numbers or market weights, an even lower upper limit would be sufficient for feed grain stocks. Our analysis suggests that stocks not in excess of one-tenth of average annual total production of corn, for example, would be sufficient.

The quantities of stocks held in an insulated reserve are important for several reasons. First, costs of stockholding rise sharply as the quantities stored increase, both because of the direct storage charges incurred and because the time elapsing between one period of full drawdown and the next full drawdown of stocks widens significantly.

Second, large stocks can depress prices. This both reduces farmer returns and discourages expansion of output in step with growth in market demand.

Finally, assured availability of large stocks at relatively low price triggers reduces the incentive for grain users—whether domestic feeders, consumers or foreign purchasers—to assume some of the burden of stockholding or consumption adjustment. For all of these reasons, we would recommend that the maximum stock quantities for such a reserve be reduced.

Section 105 provides that the Commodity Credit Corporation cannot sell in excess of "one-half of the total quantity of such commodities on hand" in any one quarter at less than 150 percent of the current loan level. The availability of Commodity Credit Corporation stocks at the low end of the price triggers for farmer-held stocks can stimulate premature release of those farmer-held stocks. In effect, government could enter the market as a seller competing with farmers at relatively modest price levels—before some relatively easy adjustments in consumption and inventory practices have been prompted by market forces themselves.

It would be better to place Commodity Credit Corporation stocks in the role of ultimate food security insurance. This could be accomplished by stipulating that Commodity Credit Corporation stocks could not be sold at less than 200 percent of the current loan level. Moreover, this limit should apply to sales for export as well as for domestic use. This would remove the destabilizing influence of CCC stocks while ensuring the availability of grain in periods of severe stress.

Finally, two questions should be clarified concerning Section 101. Paragraph (a) of that section limits the farmer-held reserve to wheat and feed grains. Rice and soybeans might be considered for inclusion as well. Subparagraph (b) (4) deals with repayment by producers for premature withdrawal from the extended reseal stocks. Repayment should include "*principal and any accrued interest and . . .*"

TITLE II

Title II approaches the very important goal of ensuring greater food security for developing countries through the mechanism of negotiating an international reserve stock program. While this is certainly one approach to meeting this crucial need, it is not the only nor necessarily the best approach.

As noted in Section 203, the purpose of such stocks in an international reserve would be to provide "humanitarian relief in any foreign country struck by a major disaster" or to assist "any developing country to meet its food requirement in any year in which there has been such a severe shortfall in such food production . . . as to warrant the use of U.S. grains for such purpose." Before committing the United States to the specific approach of a negotiated "international emergency food reserve," we believe that other mechanisms to serve these purposes should be explored.

There are several reasons for this caution. First, negotiation of such a reserve may prove difficult. Progress to date has been slow. Countries are understandably reluctant to surrender control over grain stocks. Moreover, the quantity, location and type of stocks held pose difficult technical, political and economic questions. And, international grain reserve issues necessarily become intertwined with conflicting attitudes toward food aid, agricultural trade and domestic farm support policies.

Second, creation of such a reserve fails to bring any pressure to bear on consumption policies in a number of developed nations, yet those policies often aggravate the food problems of developing countries in periods of general grain scarcity. For example, during the period of high grain prices in late 1973 and in 1974, the European Community converted its variable grain import levy into an export tax. The effect of this change in policy was to preserve internal grain consumption within the Community at a relatively high level while shifting the burden of adjusting consumption downward onto the world market.

We believe that the emergency food needs of developing countries could be met without these disadvantages through negotiation of an international emergency food financing facility rather than an international emergency food reserve. Such a facility would consist of contributions of money by developed nations and other wealthy countries to an international agency. That agency could then expend funds to help developing countries compete with other grain buyers for purchases of grain supplies in periods of either general scarcity in the world or specific scarcity in one or two countries. The fund could be used to make up some or all of the increased expense incurred by developing countries to purchase imported grains in such periods of need. The degree of assistance could be attuned to the foreign exchange resources and level of development of the countries requiring help.

Such a food financing facility has several advantages over a negotiated international emergency food reserve. First, it makes explicit and aid commitment being undertaken by developed and wealthy nations. Since contributions would be in the form of money rather than grain, it would also be easier to ensure that wealthy grain-importing countries assumed their fair share of costs.

Second, such a food financing facility would address directly the immediate problem of developing countries—their lack of resources to procure needed grain supplies. It would ensure that they would not be disadvantaged in their efforts to import grain in a period of relative scarcity. It would also enable them to purchase the food commodities they desire rather than have to accept the food commodities donors make available. When combined with national grain reserve policies such as that proposed for the United States, it would ensure needy countries have meaningful access to grain supplies.

Finally, by concentrating the assistance on the goal of equipping developing countries to compete with other nations for scarce grain supplies, such a food financing facility also begins to bring discipline to bear on the consumption policies of developed and wealthy-nation grain importers. They would be forced to acknowledge that their unilateral efforts to maintain high consumption levels in periods of shortage increase the need for assistance to the financing facility. Hopefully, the effect would be to encourage wealthy grain-

consuming countries to adjust their grain consumption policies, since such actions would mean not only more availability of grain for needy countries but also lower aid costs.

I hope these comments are useful and constructive in your effort to develop policies to provide greater security of grain supplies in the U.S. and for the developing world. I would be happy to discuss these issues further with you.

Sincerely,

ROBBIN S. JOHNSON.

Senator HUMPHREY. Your company, as I recollect, is one of the few that supported the food reserve program in the past; is that not correct?

Mr. JOHNSON. That is true.

Senator HUMPHREY. And you have been helpful in your commentaries.

Senator CLARK, I guess you understand that when you have a large number of your fellow citizens from your home State waiting for you—

Senator CLARK. I do understand that very well.

Senator HUMPHREY. If you will permit me. I thank you very much. I am sorry that I am going to miss the testimony of the next witness, but we will read it carefully.

Senator CLARK [presiding]. Senator Dole, do you have any questions?

Senator DOLE. I share the thoughts expressed by Senator Humphrey, this is a very good statement.

I take it from your statement on page 3 and the top of page 4 that you feel deletion of the 75-25 requirement may help the program?

Mr. JOHNSON. Yes. What I am trying to suggest there is that we have a number of forces coming together, and focusing our title I food aid increasingly on rural development strategies and agricultural development strategies in order to program that kind of aid effectively, and to make it a reliable resource for development. Any arbitrary criterion that can cut into the allocation of that aid in some years may frustrate the benefits that may arise from that kind of a transfer of resources. So, we would prefer to see the provision eliminated, or as an alternative liberalizing its terms, so that it can be applied with more flexibility; that would be preferable.

Senator DOLE. That is all I have.

Senator CLARK. In that regard I agree with you, if we eliminated it, it would make the program more flexible. The reason, of course, we put it in originally was that we felt the food aid program was being misused, and an awful lot of food aid was going to countries just as a transfer resource, so that we could get money to them often in support of war, not peace, or development. The worst abuse was in 1974 when we had 54 percent of all our food aid going to Vietnam. It was sold in the recipient countries, and the money was being used for something other than development purposes, obviously. At the same time, there were a lot of very poor countries that were getting no food aid, and a lot of countries that had very high incomes were getting large amounts of food aid that was obviously being used to achieve purposes other than feeding hungry people.

Now, we put on the 75/25 percent restriction and it worked fairly effectively, but, as you say a problem can develop, particularly in years when there are good crops around the world, and it is difficult

to provide food aid to countries over \$300 per capita per year who could take the food. The question, I guess, is how we lift the restriction and get flexibility, while at the same time remaining reasonably assured that we are not simply transferring food aid resources to income LDC's, when poorer countries need it and could use it. How do you feel about that?

Mr. JOHNSON. The direction of the change in title I legislation in 1975, and apparently it is being discussed now in 1977, seems to be very constructive. You are attempting to structure incentives for the recipient countries to use the proceeds from these sales in a constructive rural and agricultural development project; that is likely to be more effective and avoids some of the problems of the restrictive formula. As long as countries have to pay back these sales over time, they have an incentive to use the funds in constructive ways; and if we structure the incentives in our own law, so that they are directed toward developmental purposes, I think that we will achieve our shared objective.

Senator CLARK. Do you have any strong feelings about whether we ought to increase our title II compared to title I, or vice versa? Do you feel it is at about right the right mix? Right now about 80 percent of all our food aid goes under title I. Is that about the right allocation? Have you had a chance to think about that, or look at it?

Mr. JOHNSON. I only had a very brief time. I understand from yesterday's hearings that the question was being posed. Let me react this way: Title II aid has one big advantage, and that is that it softens the terms of aid to the poorest countries. Other factors, however, begin to neutralize that relationship. Title II aid tends to move to recipients, preschool children, nursing mothers, groups like that. The effect of that aid is to increase consumption temporarily, but to increase the supply of food to that country on a more permanent basis. Unless that food aid is put to work generating increased income, purchasing power and demand, that effect will be to drive down agricultural prices in that country. So, there is some risk in expanding title II aid to the extent that it overlaps traditional areas of consumption; it tends to depress prices, and can become a disincentive.

Senator CLARK. To the degree that you can get it to the hungriest people that would not otherwise eat, it does not become a disincentive. But if food and substitutes for food they would otherwise buy, it obviously does. It would seem to me if there was a way—and maybe this is impractical—to get food to people that would not otherwise eat, that is people who are literally starving, or are suffering from serious malnutrition, the very poorest people, then you can almost be assured that it is not going to be a disincentive to local farmers' production. But to the degree that you would feed people that would otherwise have bought it, it seems to me you inevitably are providing a disincentive for future agricultural production. Or are there factors that I am just not thinking of?

Mr. JOHNSON. Well, I think your point applies to title I and title II.

Senator CLARK. Yes, both.

Mr. JOHNSON. What I am trying to suggest is that title II assistance tends to be investment in what you might term as human capital,

it improves welfare immediately, and has a payoff in terms of increased purchasing power over an extended period of time. Title I has the capacity to be incorporated into development projects that generate increased purchasing power right away.

Senator CLARK. I agree, that is exactly how it would work, but it seems to me that one of the real problems of title I is that it is hard to assure that, it is hard to get a recipient country to agree it will use that money in that way. They may sign an agreement to use the money in that way, while they are deferring other payments or using that money in another way. I often wondered whether it would not be a better idea to have a grant program rather than a loan program because as soon as you get into making concessional loans, you are after all, really granting most of those credits. The country that takes those credits in effect buys the food and to use as they see fit, subject to the agreements and the amendments of the agreement; then you begin to lose a lot of control over it.

In fact, I think you as an economist should know that better than I do. I would suggest that it turns out being a grant for the most part anyway because by the time you get the long-term credit, it ends up costing the United States most of the value anyway. But by handling it under title I, or by handling it as a loan program in effect you lose control over distribution, over its use, largely. At the same time you end up paying most of the bills for it.

I always wondered if we would not be better off to have grant programs where we could really have some effective control over getting it to the people that really need it, or over using the proceeds for real development programs that would be fairly well observed and followed. Is that too simplistic?

Mr. JOHNSON. No, I was going to say it is too complex.

Senator CLARK. Too complex?

Mr. JOHNSON. I want to make two observations. No. 1, the cost of food aid to the U.S. depends on whether the commodities are in surplus or not because where you have commodities in surplus we would incur some cost to deal with that problem.

Senator CLARK. Yes.

Mr. JOHNSON. On the question of how to structure aid programs to get the most effective development strategy you can, I think that one should recognize that attitudes both in the United States and in a number of recipient countries have changed in recent years. There is more sensitivity to the needs of expanding indigenous food production, and more awareness of how complex and drawn out that process is, or has grown. I think some of the frustrations we have had in the past will not be as great in the future.

Senator CLARK. Thank you very much.

We are going to hear lastly, but in no sense leastly, from Father Bryan Hehir, the associate secretary, Office of International Justice and Peace of the U.S. Catholic Conference.

I remember 3 years ago when Senator Talmadge held these hearings on the new farm bill, that he said that Father Hehir's testimony was the most succinct he ever heard before this committee on most of the points. So, that is quite a compliment.

You may proceed in any way you see fit.

**STATEMENT OF REV. J. BRYAN HEHIR,* OFFICE OF INTERNAL
JUSTICE AND PEACE, UNITED STATES CATHOLIC CONFERENCE,
ACCOMPANIED BY HENRY BRODIE**

Father HEHIR. Thank you, Senator; I appreciate the opportunity to be invited back. I have with me Mr. Brodie who is the principal staff person on food legislation in our conference. I come representing the U.S. Catholic Conference; as you know, Senators, it is the action agency of the Catholic Bishops of the United States.

Once again, we appreciate the continuing interest of this committee, yourself, Senator Humphrey, Senator Dole and others, in the question and the openness you manifest to us constantly, to make our views known.

As you know from the past, our view of what we might supply to these hearings is less in the area of technical expertise regarding food assistance and the food problem, and more on the question of what some of the fundamental moral considerations are that ought to be woven through our policy planning and implementation. As you know, in past testimony we have supported three major goals this year.

One: Provision for a mandatory minimum quantity of concessional food aid under title I;

Two: Greater and more effective use of Public Law 480 title I sales proceeds to promote agricultural development in recipient countries; and

Three: An increase in the quantity of title II funding for voluntary agencies.

Bishop Broderick of the Catholic relief services has spoken to the third point, so I would just address the first two.

If you look at the first two questions from the point of view of the moral dimensions of U.S. food policy, you find two areas, two broad areas of consideration that have significant moral impact; first the conception of the food policy that is used, that is the basic conception of our policy responsibility; and second, the implementation of policy. Regarding the way we can see food policy, we find two major considerations having moral significance. One relates to the nature of the international system today, the second relates to the way food is factored into the U.S. foreign policy equation.

Regarding the nature of the international system, it has become commonplace to describe that system as an interdependent world. In our view the dependence highlights the need principally for access to resources in the international system. Often in foreign policy discussions food is discussed as our commodity, each nation seeking to exploit the commodity it controls. In our view the discussion of food as our commodity is inadequate on two counts. First it is our view that food is a unique commodity. It is a commodity like other commodities, but in certain ways it has unique characteristics. Those characteristics are determined by the absolute need for food, and the inability to postpone that need for a significant length of time, such as can be done for other commodities. Food in our view is not only a com-

*See p. 132 for the prepared statement of Father Hehir.

modity, it also is a sacred trust. That conception ought to filter through our food policy formulation.

Second: It is our view that in an international system where scarcity of commodities and access to resources has become a major foreign problem, it is our view that U.S. action regarding food, its commodity, can be a precedent-setting action; that is to say the kind of self-denying standards and other kinds of regulatory standards we set for our own food policy can, we hope, be a precedent-setting action for ways others decide their policy regarding resources they control that we might need.

This raises a second ethical question, and that is the way we conceive food in the foreign policy equation. Basically it is our view that ethical elements arise in policy formulation at the very outset in the way we define the nature of the problem, and define our responsibilities to face that problem. That is to say how we determine the scope of our responsibility faced with the question of malnutrition and world hunger, and how we understand the structure of our relationship to the hungry within our foreign policy equations. These are two principal moral questions in the conception of the policy.

The scope of our policy is important because once we decide what the circle of our responsibility is, who is inside our circle, then those people are included in our planning from the outset of the policy process.

Once we have determined what our structure of responsibility is for the hungry, then we are prepared to both meet our commitments, it would seem to us, in times both of surplus and of scarcity; whereas, if our structure of responsibility is defined simply as the convenience of surplus, then in moments of scarcity we have the least capacity to protect through our actions, those considered last in the policy equation.

I keep speaking about this food policy equation, and in our view it takes on the following characteristics. If you try and think of who is included within the planning of American foreign policy regarding food, it seems to us there are five major categories of people. First the U.S. farmers who produce the food; second, the U.S. consumers; third, our allies; and then, fourth, adversaries who recently have become beneficiaries of U.S. food policy; and finally the hungry. What is significant to us is that all of the first four, farmers, U.S. consumers, allies, and adversaries have a voice or a vote in the making of U.S. food policy. The hungry are those who have neither voice nor vote, and we will have to decide to include the hungry from the beginning in our policy planning, or they will be left to the vagaries of climate and market needs.

It is precisely the question of long-term planning and who gets included within the circle of our responsibility that to us is the fundamental question regarding Public Law 480 programs. As some other witnesses have already made the point, the Public Law 480 program has been left largely to the question of residual supplies—after domestic requirements, commercial exports, and carryover stocks have been satisfied. In that concept of planning the hungry, the fifth factor in our foreign policy equation, is left to the most insecure dimensions

of responsibility. They are left ultimately to our consideration when everything else has been fulfilled, then we plan for their needs.

It is this question of long-term planning, systematic planning that we address, regarding the Public Law 480 program. And now I will speak about the question of the implementation of our Public Law 480 program on two counts.

First, provision of a mandatory level of food aid under title I; and second, more effective use of food aid in agricultural development.

Regarding title I we support, as other witnesses have, a mandatory, required level for U.S. planning for food aid of 4.5 million tons per annum, to be supplemented by the proposed 1.5 million tons of title II. In so doing we would express in principle that we find this 6 million ton level, along with the 10 million ton planning figure of the World Food Conference inadequate in light of the long-term food deficit projections, as we understand them. As you know, Mr. Chairman, the U.S. Agriculture Department has estimated that 25 million tons of food per annum would be required rather than 10 million to raise the diets of the world's malnourished to minimum nutritional levels. In a recent World Bank study, using more sophisticated statistical techniques, the requirements for this purpose were estimated at some 38 million tons per year. It is in terms of this spectrum from 10 to 38 million tons that the nature of the problem is defined; and we would argue for a minimum of 6 million tons of U.S. food aid.

Arguing for a systematic conclusion of the foreign policy equation means in our view not only legislating fixed amounts of food aid to be supplied by the United States but also, as other witnesses have testified, that these amounts be specified for an adequate period of time such as 5 years. A 5-year period or middle-range commitment by the United States we believe would promote more effective planning for the use of food aid; and second, it would take food aid adequately into account in setting U.S. production goals.

The United States as a significant actor, providing a stable supply of food over a period of years once again, in our view, perhaps might act as a precedent-setting mechanism for other potential suppliers in the international system.

I turn now to the question of food and agricultural development. We support strongly the need for a stable, medium-term commitment for food aid, but we nevertheless regard food aid as a transitional measure. Increases in productivity in the food deficit poor countries is, as you have heard so many times, the agreed consensus for the long-term solution of the problem of hunger. Increasing productivity in these countries requires very significant and substantial effort, on the part of their governments as you have heard from witnesses that are much more expert in the field than I.

It also requires, we believe, greater efforts on the part of the developed countries. Despite recent substantial increased aid flows for agricultural development from the developed countries it is our view which generally is shared by the expert, that more needs to be done. Although a major objective of Public Law 480, particularly title I concessional sales has been the promotion of agricultural development in recipient countries, the growing food deficits of many developing countries does not suggest great success in this regard. Although all

title I sales agreements require recipient countries to use the local currency also proceeds for self-help measures, mainly to promote agricultural development, such funds, as you know, are often used for budgetary and other purposes. It is this question that we would like to speak to in conclusion.

The United States appears to do little monitoring of the program to determine the extent of compliance by recipients of title I. Instead it seems to depend primarily on reports prepared and submitted by the governments of recipient countries. Moreover, the extent of compliance is frequently difficult to evaluate since the measures proposed in the self-help agreements frequently are quite general.

This has led the General Accounting Office to conclude, on the basis of studies made in a number of title I recipient countries, that there is no clear indication of what self-help benefits are being derived from these programs.

Senator CLARK. The Office of Management and Budget?

Father HEHR. GAO. It is footnoted in our testimony, which I should have asked be included.

Senator CLARK. It will be made part of the record.*

Father HEHR. There is a second and perhaps more disturbing conclusion in the GAO report, that in some of the recipient countries food aid has had an adverse impact on agricultural production by encouraging governments to pursue policies for political and other reasons, which created various disincentives for farmers.

It is our view, Mr. Chairman, that title I, Public Law 480 can be made considerably more effective for promoting agricultural and rural development in poor countries than is presently the case. This, we believe, calls, above all, for more vigorous action on the part of the United States to see that needy title I food deficit countries adopt internal policies and reforms to remove existing barriers to the expansion of agricultural production. Despite recent constructive changes in agricultural policies in some developing countries, we believe additional reforms are urgently needed.

We recognize these reforms are political in nature and require difficult political decisions; but we also believe that the Public Law 480 program can be discretely used as an instrument for encouraging more constructive action than is now the case. We would offer two possibilities for use of title I funding in this way.

First, in previous testimony we proposed that all current dollar proceeds from title I sales, now amounting to roughly \$350 million per year, be recycled to the poorest developing countries to help finance mutually agreed upon agricultural development programs to reduce or eliminate their dependency on food aid. Priority, we believe, should be given to programs to raise the productivity and output of the poorest farmers. This proposal would, in effect, put our food aid program on a grant basis, like most other donor countries.

Such bilateral agreements to promote agricultural development should be for a period of at least 3 years to provide adequate incentives to recipient countries to carry out their obligations and at the

* GAO Report No. ID-76-53—Impact of U.S. Development and Food Aid in Selected Developing Countries, April 22, 1976—Retained in Committee files.

same time to assure the necessary continuity of food supplies and external financial resources required for effective planning and programing.

This proposal goes considerably beyond the provisions of section 106 of the Public Law 480 program, which allows up to 15 percent of the total value of title I sales to be used in this way, or about \$135 million, as compared to our proposal, which would amount to \$350 million.

The problem with section 106, as we see it now, is that it offers title I purchasers only limited incentives to assume the obligations it imposes on them, since the bulk of such purchases contains a large grant element of as much as 75 percent. The amount of additional resources section 106 provides, over and above this grant element, therefore, is a quite limited incentive. This is probably why so little interest has been shown to date in section 106 by title I purchasers. Our proposal, by contrast, by providing for a much more substantial and immediate reflow of dollars for agricultural development would, we believe, provide more incentive for participation.

Now we come to the difficult part. As an element of our proposal, we believe consideration should be given to the possibility of phasing out of title I food aid, perhaps over a period of 3 to 5 years, to needy food deficit countries unwilling to participate in this program. In this event, food aid to such countries then would be limited to title II programs. We recognize such a policy would impose serious hardships on needy people in countries with governments not prepared to deal responsibly with their pressing food problems, and therefore that use of this tactic would have to be used with the utmost discrimination. One possibility for meeting this problem would be an offsetting expansion of title II programs.

As a second alternative, the United States might contribute its annual title I dollar repayments to some multilateral organization such as the International Fund for Agricultural Development, for a period of, say, 5 years, provided other IFAD donors also agree to make annual commitments proportionate to their original contributions. This could provide additional funding for IFAD of about \$1.5 billion per annum for the next 5 years. This alternative proposal offers at least three advantages.

First: The United States offer might provide effective leverage to stimulate other donor countries to provide needed increases in foreign aid for agricultural development in the poorest developing countries. Second: The United States would avoid some of the sensitive political problems which inevitably will arise in bilaterally calling on developing countries to modify their internal economic policies. Third, greater coordination in the use of external aid for agricultural development would be promoted.

It is our view that some such U.S. initiative, discretely carried out, with sensitivity and compassion—whether on a bilateral or multilateral basis—is essential if Public Law 480 is to be made a more effective vehicle for promoting a reasonable degree of food security in the poorer food deficit countries in the foreseeable future. We believe that such an initiative, if taken as part of a comprehensive

package, including a long-term commitment to U.S. food aid; a commitment by the United States to a grain reserve, if put together as a total package, would be seen as a helpful contribution to the world food problem, too.

Thank you.

Senator CLARK. Thank you for an excellent statement. Senator Dole?

Senator DOLE. They need me at Budget to vote on a matter. It is an excellent statement. I think much of it, hopefully, can be incorporated in revised Public Law 480 programs.

If we do make available more food commodities for distribution under title II, are the charitable groups going to have the additional resources to effectively distribute the increased quantities? Do you raise the revenue, the money you need to do this?

Father HEHIR. That is a problem for the more competent people to answer, really, our program people. They presented independent testimony on title II food aid. I think if I could speak to the point about raising the revenue, I think it would be possible on the basis of what has happened in our collections over the last 3 years when this food question has been highlighted by the church, the response to these collections has been very significant. They have continued to be very high and at times reached record levels.

I think the second question of translating those increased collections into administrative capability, I really have to rely on Catholic Relief Services because I would not be competent to comment on that in detail.

My understanding is that they certainly could handle an increase over what is presently proposed. But if, in fact, you moved all of title I to title II, my understanding is that they are not prepared to handle all of that right now.

Senator DOLE. That is all I have. Thank you.

Senator CLARK. This is a pretty general question, but I would like to have a general impression from you. We have had this program now for a little more than 20 years. How successful, do you feel that Public Law 480 has been in terms of really trying to accomplish its goals, that is humanitarian and economic development, whether it is in terms of feeding hungry people on the one hand, on contributing to economic development, and particularly agricultural development, in these developing countries. Has it been a successful program? How would you evaluate it?

Father HEHIR. Well, I think I would evaluate it independently on the two purposes that you stated for it. I think without a doubt, as the previous witness indicated, there has been some important immediate direct increase in human benefits there, in some programs, and they can be identified in terms of people who were fed that would ordinarily go without. But the far more complicated problem is the integration of that kind of program in terms of long-term development assistance, and specifically in terms of increasing agricultural productivity in developing countries.

Now, there I see two characteristics that are important. One: As was pointed out earlier this morning, there have been changing per-

ceptions about what economic development means, and I think the program has been to some degree a victim of that learning process that we have gone through about what we mean by agricultural development in the developing countries.

I think, second, the question that came up this morning, it is important to think about it in this regard, economic development it seems to me is never without its political implications, and the food program will never be without political implications. And while our first inclination, I think, is to argue for flexibility and not too many requirements in the food program, it does seem to me that there is a rather oversimplified view of the nature of the problem of increasing the effectiveness of our food aid programs. I think in terms of making the U.S. food program an effective instrument of economic development, it is in fact more complicated but safer to have requirements as for example with regard to the use of recycled funds; and some way, in a discreet way—and I emphasize discretion—to call the governments to account for their performance.

Second: Although we do not have a formal position on the human rights question, I just raise that as a kind of politically significant criteria that part of this process. To depoliticize food aid and make believe it just goes in, in a kind of insulated channel seems to me to be naive. The effective use of the program has to be calculated by several criteria.

Senator CLARK. Now, in that regard, you cited the GAO study, and I would like to put that study at the end of the hearings in the record because it bears on the question.

I notice on the title page of the study that it concludes with something that I guess you are quoting from in your testimony, "except for certain indirect aid, it was difficult to say that the title I, Public Law 480, concessional sales program was helping the poor." Do you tend to feel that has been the history of the program, or is that going too far?

Father HEHIR. Well, first I want to indicate my limits, foreign policy covers a lot of issues, and food is only one. Mr. Brodie knows more on that than I. My sense is that the experience of the late 1960's which produced the 75-25 requirement and now raises the human rights question, illustrates the problem of title I. That is to say, this is a very handy tool for use in a difficult spot where we are trying to implement the missions of our foreign policy. It is handy because it is generally received well by the governments of the recipient countries, and it is hard to make a strong case against denying food to other countries. I am not really qualified to comment on that judgment as such, but what I am convinced of is that the title I program has to be hedged about by explicitly stated criteria, and at least in my view it is important to keep the Congress in a monitoring role using those criteria because I feel our experience in that regard has not been good.

Senator CLARK. That is well put.

With regard to your suggestion that we have a mandatory 6 million tons, I just had someone calculate here on a machine what has been the average over the years. The first full year of the program was 1956, and the last full year was 1976—so, that is 21 years. Over that

21 years our average tonnage has been 12.808, or about 12.9 million tons, almost 13 million tons. We have been as high as 18 million tons, 18.78. So, your suggestion is that we have a mandatory program which would be less than half of what was averaged over the last 21 years; that is not an excessive amount.

Father HEHIR. Well, actually, as you understand, in these hearings we are really supporting a predetermined consensus, and that is why we included in the testimony our view that in light of the projected needs as we see them in the USDA study, and the World Bank study, and a study by the International Food Policy Research—in light of those three studies our one view is that the 6 million tons is probably quite inadequate. But we would like to establish the principle, really, establish the principle of a commitment both in terms of amounts and years, so that we can then build on that principle. We thought that was the better, more realistic target to go for.

Senator CLARK. That is probably true. Every year up until 1973, we had under the title I program more than what you suggest, 4.5 million. And under title II we always had had more than 1.5 million metric tons before 1974.

Father HEHIR. Yes.

Senator CLARK. I think even through 1974, down to 1975. But I think your point is well taken, though, because what happened after 1973 is that the world became short on food, and we supplied less of it as food aid.

Father HEHIR. Right.

Senator CLARK. And when the world was not short on food, we supplied a lot more of it as food aid, which is a very natural kind of thing to happen in a market economy no doubt because you have more commercial demand for it. But when you need food aid worst, you have it least.

Father HEHIR. That is really what we feel is the central question. Having gone through the experience of 1972–74, one ought to take it as a characteristic of foreign policy planning, that interdependence means sharing possible scarcity; and therefore, if you are thinking about dealing with hunger, and not just international market trends, then what you feel is long-term commitments by the United States to a certain minimum participation regarding the hungry under all conditions, scarcities and surpluses.

Senator CLARK. You said in your testimony, that you thought that we ought to significantly increase title II. Can you state, as simply as possible, why?

Father HEHIR. Well, it is our view that within the limits of administrative capabilities, that the use of title II through voluntary agencies does provide possibly more access, more direct access, to people who sometimes slip through the net of Government policy. That a mediating agency can—we think and hope—be more effective and more direct, and that it tends to, in a program which is emphasizing humanitarian needs, it tends to be depoliticized to some degree. And again I go back to my earlier statement, you cannot depoliticize the program. But you can depoliticize the delivery system to some degree. Our view is that title II provides the best means to do that.

Senator CLARK. So, you would like to see this increased as far as practicable.

Father HEHR. By recipient agencies, yes; and that is obviously the consortium of people who have to be consulted. We feel they can handle more than they have now, although it seems to us undesirable to argue that they could handle the whole program.

Senator CLARK. Right. I see here they were handling about 3 times as much in volume in 1962, which was almost 3 million tons—it would not be quite 3 times as much.

Again, would you pass by us this idea of considering the phasing out of title I. Under what conditions, were you saying, you thought that might be considered?

Father HEHR. We were not talking about the program as such, the phasing out of the title I program. What we are really talking about, again, setting some kind of—I call them self-denying ordinances on our own program. I want to balance, frankly, the dimension of direction experience in other countries to some degree. I think the question is, the calculus is not unlike the human rights calculus, policy calculus. What you are really saying is, are you going to set some standards for our own policy that would determine when we cooperate and under what conditions. Now, that seems to me in the first instance, we are telling other governments how to run their business, but you are going to be reflective and explicit how you are going to run your own business. What we are really arguing for is that title I is going to be used more effectively for promoting agricultural development if two things are done.

First of all, if we increase the amount of money that can be recycled into it, and that is the difference between the presently authorized \$135 million and our suggested \$350 million. And second, if in addition to increasing the incentives, that we are more explicit and precise; be precise about our standing on what we expect of the recipient governments; and that if it can be shown as a systematic pattern over a reasonable period of years that the government is not moving in the direction of using title I funds in that way, then you draw the logical conclusion that in a world where there are several places in need of food, that it can be more productively used for this objective in another place.

So, I think it is like the human rights standard. And then, the qualifying dimension, that you would eliminate title II. We feel that distinction is the same kind of distinction we used in the past when we argued on the denial of economic assistance for countries, but not denial of all humanitarian assistance.

So, the title II factor for humanitarian purposes still would be used.

Senator CLARK. So, as I understand the summary of your testimony, it is that the food for peace program over the 20 years of its existence has been of some value in terms of humanitarian purposes and economic development purposes; but particularly under title I there are many questions raised as to how effective it has been in terms of economic development. You would like to have that part of it strengthened by having tighter controls over our part of it, and a gradual increase of title II because of its humanitarian nature; and, significantly, a minimum amount.

Father HEHIR. That is right.

Senator CLARK. We should plan that over a period of time. I think that makes a lot of sense.

Lastly, do you have any specific proposals, for changes in Public Law 480, other than the ones we talked about?

Father HEHIR. I would like Mr. Brodie to talk to that.

Senator CLARK. What is your first name, Mr. Brodie?

Mr. BRODIE. Henry.

Senator CLARK. Henry Brodie.

Mr. BRODIE. Senator, we do have some concerns about the proposal to raise the eligibility figure in the 75-25 formula to \$520 per capita from the present \$300 figure. We appreciate that because of inflation since 1975, the \$300 maximum may be too low; that inflation might justify a new \$375 maximum. We are afraid however that \$520 would open the door to a substantial expansion title I sales to less needy recipients. As the sales figures indicate, there are a large number of countries with per capita incomes of less than \$300, which do not now receive title I. We also, quite frankly, are afraid that this \$520 per capita income criteria adopted by IDA would be a step backward toward greater politicization of food aid.

Senator CLARK. That is a concern that I share as well. On the increase for inflation, do you know on what year we based the \$300 figure, on 1970, or 1974?

Mr. BRODIE. 1973.

Senator CLARK. I assume that the figures that we use under the new bill will not be 1977. We do not have those available. Does anybody know what year they are based on?

From the Floor. 1975.

Senator CLARK. 1975.

Mr. BRODIE. I think the increase in the IDA per capita income criterion to \$520 from \$375 is intended to offset 4 years of inflation whereas only 2 years have elapsed since the \$300 per capita income figure was adopted in Public Law 480.

Senator CLARK. Well, looking in that light, as I said earlier, I would be particularly interested in knowing what kinds of contracts we have had with the 33 countries out of 46 that are not receiving any title I, before we decide to almost double the per capita requirement.

The other thing I think would be interesting—and I know we are asking AID to do a lot of things here—but maybe it would be available for us to see how many additional people would be brought in under the administration proposal to increase it from \$300 to \$520, would that double the number of people in the world that would qualify?

[The following material was subsequently received for the record:]

We have already submitted a report entitled "An Assessment of Requirements for Public Law 480 title I Food Assistance in Countries with Per Capita Incomes Below \$300,*" which explains why certain of the countries with per capita GNP of \$300 or less are not receiving food assistance under title I.

Adoption of the IDA criterion (\$520) would not alter the eligibility of these countries of title I assistance. They are eligible now, but are not part of the program for the reasons cited in the document mentioned above.

*See p. 106.

Adoption of the IDA criterion *would* enlarge the list of 75 percent countries, we calculate, by some 14 countries (approximately 135 million people total population). Currently, countries with a total population of 1.3 billion qualify in the 75 percent category to receive Public Law 480 title I commodities. Under the new criterion, on the basis of total population, there would only be an increase of 10 percent. Of these countries some are currently receiving title I assistance in the 25 percent group.

It is not feasible, however, to pinpoint the exact number of recipients of title I commodities because those foods are part of the overall commercial market which includes as well domestic production and imports (commercial and concessional) from countries other than the U.S.

AN ASSESSMENT OF REQUIREMENTS FOR PUBLIC LAW 480 TITLE I FOOD ASSISTANCE IN COUNTRIES WITH PER CAPITA INCOMES BELOW \$300

The World Bank Annual Report of 1976 lists 44 countries with per capita incomes of \$300 or less. Of this number Title I agreements have been signed or presently are under consideration for 13 countries: These are:

Bangladesh	India	Sudan
Egypt	Indonesia	Tanzania
Ethiopia	Mali	Zaire
Guinea	Pakistan	
Haiti	Sri Lanka	

The food requirements of other 31 countries have been examined, and we have found no significant requirement for Title I food assistance. The reason or reasons why Title I assistance is not being provided are varied:

- We are prohibited by law from providing food to countries with which we do not have diplomatic relations; these include Vietnam, Cambodia, Uganda and Yemen—Peoples Democratic Republic.
- Not all of these countries have food problems e.g. Afghanistan, Kenya. Some like Burma are exporters of food. Others, such as Yemen, have large foreign exchange holdings which despite low per capita incomes permit commercial purchases.
- Other donor nations may be providing part or all of the imported food requirements.
- In a number of countries, particularly in Africa, Title II programs are meeting primary food needs.
- Finally, a number of countries supply their imported food needs by long standing commercial arrangements. In such cases, we are required by law not to disrupt such free world trade except in emergencies.

A summary of the 33 countries follows:

AFGHANISTAN

In food deficit years Afghanistan has been provided with title I assistance. Wheat and other basic supplies appear adequate this year. The Government has not requested title I assistance for fiscal year 1977.

BENIN

There are ongoing Title II Voluntary Agency programs for \$.2 million and a World Food Program for \$.5 million. A recent U.S. food assessment reveals that a food shortage exists. An additional title II request for emergency food aid is anticipated and will be considered.

BOLIVIA

Bolivia receives substantial amounts of title II commodities through Voluntary Agencies totaling \$4.5 million and through the World Food Program totaling \$.6 million. The per capita GNP increased considerably due to price rises in tin and petroleum. Bolivia is in a surplus balance of payments position and has foreign exchange reserves equal to six months of imports. Bolivia makes use of Commodity Credit Corporation credits in purchasing wheat. It has not requested a Title I program.

BOTSWANA

No title I request has been made by the Government. World Food Program support is provided.

BURMA

Burma is a rice exporting country. There are other small food import requirements, however, the Government has not requested a title I agreement.

BURUNDI

Burundi has not requested a Title I program. Data reveal that no food shortage exists. There is a World Food Program valued at \$.4 million and a Voluntary Agency Program valued at approximately \$1 million.

CAMBODIA

Cambodia is prohibited from receiving Title I assistance by law, as we do not have diplomatic relations.

CAMEROON

Voluntary Agencies have Title II programs totaling around \$1 million and nearly the same amount for the World Food Program. The Food and Agriculture Organization early warning system indicates no food emergency exists. The country is self-sufficient in food staples mainly sorghum and maize; and exports coffee, cocoa, rubber, aluminum and wood. No Title I request has been submitted by Cameroon.

CENTRAL AFRICAN EMPIRE

The Central African Empire currently has a World Food Program valued at over \$.5 million. It's foreign exchange position is poor. No Title I request has been requested from the Central African Empire government, nor has there been any request for emergency food.

CHAD

The U.S. is providing all the food that it believes can be effectively distributed under Title II. Food and Agriculture Organization indicates that pledges by various donors have covered most of the emergency food relief needed as a result of the drought.

Chad's foreign exchange position is very low at present and not expected to improve in the short run.

GAMBIA

Voluntary Agencies and World Food Program are conducting programs totaling over \$.5 million. Available reports indicate that grain crops have been adequate and that the country had a bumper peanut crop. No title I request has been made by Gambia.

GUINEA/BISSAU

No urgent food requirement has been determined.

KENYA

Official reports indicate that there is no food shortage impending for Kenya; adequate reserves are available to meet needs. No title I request has been submitted by Kenya. Voluntary Agency programs total \$1.9 million in title II assistance.

LAOS

No title I request has come in from the Government. Laos normally imports rice and due to taste preferences this usually comes from Thailand.

LESOTHO

Substantial title II inputs have been programmed for Lesotho; Voluntary Agency \$2.3 million and World Food Program \$1.4 million. No title I proposal has been submitted by Lesotho.

MALAGASY REPUBLIC

The Voluntary Agencies and World Food Program have title II programs that distribute commodities valued at approximately \$.7 million. A title I request has not been submitted from the Malagasy Republic.

MALAWI

WFP administers a small \$.8 million program. Crop forecasts have been consistently promising and peanuts will continue to be exported. Malawi is a land-locked country, and a doubtful title I candidate.

MAURITANIA

The U.S. is prepared to respond to an emergency food request under title II that is expected as a result of the drought in Mauritania. Current Voluntary Agency and World Food Program programs have a combined total of \$1.6 million. Mauritania is in a surplus balance of payments position and has foreign exchange reserves equal to one year of imports. It exports iron ore. No title I request has been forthcoming from Mauritania, which has a per capita GNP of \$290.

NEPAL

Nepal has a fairly large World Food Program in excess of \$1.5 million. Currently there is no shortage of grain and Nepal has exported rice in the past. Nepal is land-locked and has very low foreign exchange reserves. Nepal has not requested title I commodities under Public Law 480. The winter was unusually dry this year, which could cause a drought and lead to an emergency situation; if this occurs the United States would be prepared to provide Public Law 480 commodities under title II.

NIGER

Latest available reports indicate sufficient crops and no food shortages. Niger has a \$.6 million World Food Program title II program. The United States recently considered an additional 5,000 metric tons of sorghum under title II but it was not required. There has been no title II request from Niger.

NIGERIA

Nigeria is an OPEC country and it is anticipated that A.I.D. bilateral economic assistance will terminate in the near future. Nigeria has an ongoing World Food Program title II program for \$.6 million.

RWANDA

Drought conditions have resulted in food shortages in Rwanda. The U.S. has responded with an additional 2,500 metric tons of sorghum to its regular title II Voluntary Agency and World Food Program programs. Rwanda is not a wheat eating country. Rwanda is a land-locked country and a doubtful title I candidate.

SIERRA LEONE

Sierra Leone has submitted a request for title I assistance. After a review, however, we have concluded that it was not possible to provide wheat and rice under a title I program without disrupting the currently strong commercial markets already in existence for these commodities. We have informed the Sierra Leone Government that we will keep their request under consideration in the event their production or purchasing position changes in the future. Small title II World Food Program and Voluntary Agency programs are in progress.

SOMALIA

Somalia has a small traditional World Food Program for \$.8 million. No request has been submitted by the Government of Somalia for food assistance: either under title I or title II.

TOGO

Togo has not submitted a request for title I commodities. It does receive title II assistance; Voluntary Agency programs total \$1.1 million and World Food Program \$.7 million. Food and Agriculture Organization data indicates no food emergency exists in Togo.

UGANDA

There are, at present, no diplomatic relations between the Government of the United States and Uganda. A World Food Program is under consideration, but at this writing no action has been taken.

UPPER VOLTA

The Public Law 480 title II programs appear to be meeting most food needs. The size of the Voluntary Agency portion is nearly \$2 million and the World Food Program portion \$.6 million. The USG is prepared to respond to a proposal for emergency food commodities under title II if so requested. Upper Volta presently is assessing its own food situation to anticipate projected needs, while at the same time trying to redistribute surplus foods in the north to offset deficits in the southern part of the country.

VIETNAM

Vietnam is prohibited from receiving title I assistance by law.

YEMEN—ARAB REPUBLIC

Yemen receives Public Law 480 support under title II from Voluntary Agencies for nearly \$1 million and from World Food Program for \$1.2 million. Yemen also receives hefty contributions from OPEC countries. Its foreign exchange position is the equivalent of 27 months of imports. Yemen's grain production is lagging and the Government will probably make purchases from Canada and Australia.

YEMEN—PEOPLES DEMOCRATIC REPUBLIC

The U.S. currently does not have diplomatic relations with Peoples Democratic Republic of Yemen.

WESTERN SAMOA

A recent U.S. assessment team determined only minimal food import needs.

Senator CLARK. Any other points, Mr. Brodie?

Mr. BRODIE. I cannot think of any, no.

Senator CLARK. Anything else, Father?

Father HEHIR. No. Thank you again for holding these hearings.

Senator CLARK. Thank you very much. We appreciate your long-term interest in food problems. I think I know of no one in the United States that has spoken any more often or any more clearly than Father Hehir on this subject. I know that the Catholic Church and other churches in this country have been remarkably successful in raising the issue, explaining it, discussing it, creating interest in it, far, far beyond any other organization in the United States. They have been enormously successful and have accomplished a great deal. We are very grateful, certainly the Congress is, and the country, for the work that you have done, Father Hehir, and others have done in other churches in terms of really getting a better understanding of the problem of world hunger.

The hearing is now completed.

[Whereupon, at 12:10 p.m., the subcommittee adjourned, subject to the call of the Chair.]

ADDITIONAL MATERIAL

STATEMENT OF HON. DICK CLARK, A U.S. SENATOR FROM IOWA

I want to add my welcome to that of Senator Humphrey to these two days of oversight hearings on the Food for Peace program. I think we are all concerned that the world-wide concern about the ability of poor countries to feed themselves will disappear as the problem of food shortages changes into one of surplus. Yet, the problems of agricultural development and malnutrition in less developed countries have not disappeared. They are still very much with us, and if some of the projections from the World Bank and International Food Policy Research Institute are accurate, they could very well become more severe in the coming decade.

We want to look a little more closely at those projections and at what they might imply for income and growth in less developed countries and what the role of food aid ought to be in dealing with these problems. Also in these hearings, we want to examine how well we've done in using food aid for development purposes abroad and how we might improve in the future. I am particularly interested in how we can expand Title II programs to meet humanitarian and development needs abroad.

Of course, humanitarian and development purposes are not the only purposes for which we provide food aid. We also use food aid to try to develop markets abroad for U.S. agricultural exports and for general foreign policy purposes. We want to examine these two uses of food aid in tomorrow's hearings.

I believe that these hearings provide an important opportunity for us to review some of the basic issues and problems of the U.S. Food for Peace Program. They are especially important now to provide a background for our reauthorization of the PL 480 legislation for another five years. I want to thank our fine group of witnesses for participating in these oversight hearings.

STATEMENT OF HON. JAMES A. MCCLURE, A U.S. SENATOR FROM IDAHO

Mr. Chairman and members of the committee, since its inception the PL 480 "Food for Peace" program has, for the most part, been an admirable success. Besides promoting humanitarian goals of the United States, PL 480 has proven to be a valuable marketing agent for distributing much of this nation's agricultural surpluses.

Foods such as wheat, rice, feed grains, soy foods, blended foods, non-fat dry milk, and dry edible beans and peas, as well as other commodities such as vegetable oils, cotton and tobacco, have helped hundreds of thousands of needy people throughout the world during the past 23 years.

Despite this commendable record, a problem which I feel is contrary to Congressional intent for PL 480 has recently developed. Specifically, it is my understanding that the Office of Management and Budget has refused to approve the funds necessary to finance the sale of dry edible beans through Title I and Title II on the basis that dry beans are not a price-supported commodity. This action has been taken over objections of the Department of Agriculture and contrary to the requests of the U.S. dry bean industry and at least two foreign countries.

Like many other commodities, the edible dry bean industry has been weathering an especially poor year. Production in 1976 was 17,216,000 cwt, which was a one percent decrease from the 1975 crop and an 18 percent decrease from the record 1974 crop. At the same time, however, domestic consumption fell from 1 million cwt in 1974 to 13 million cwt in 1976. Leftover stocks thus amounted to over 4 million cwt of which only 1.9 million cwt have been exported. This figure is approximately 53 percent less than the 1974 export level and the lowest since 1967.

Meanwhile, the USDA has, over the past three months, tried unsuccessfully to convince the OMB of the desirability of offering dry edible beans through PL 480. Countries such as Zaire and Lebanon have indicated a need for 66,138 cwt to 88,184 cwt (3,000-4,000 metric tons) of dry beans, while the USDA has reported that a great deal more dry beans would be requested from PL 480 (especially through Title II) if funding were made available. Further, the USDA has stated that as much as 1,102,300 cwt (50,000 metric tons) of dry beans are considered available to foreign nations through PL 480.

Dry edible beans are not a price-supported commodity and thus not a burden on the taxpayer or the government. However, continued depressed prices will more than likely lead to grower request for government support in the near future.

The dry bean industry is not looking for a handout or for perpetual support through PL 480. Rather, they merely desire a "shot in the arm of demand" achieved through the periodic sale of dry beans when supplies are especially high. It would seem obvious that such periodic sales are much less of an expense for the taxpayer than is a continual government price-support or subsidy program.

To remedy this situation, I strongly urge the Foreign Agricultural Policy Subcommittee and the Agriculture, Nutrition and Forestry Committee as a whole to direct, through the Food and Agriculture Act of 1977, that a portion of PL 480 funds be designated to purchase dry edible beans (or other non-price-supported commodities). Such purchases should take place when it is necessary to relieve severe over-supply situations, when approved by the Department of Agriculture, or when requested by one or more foreign nations eligible for PL 480 purchases or relief.

I believe this to be consistent with Congressional intent for PL 480 in fulfilling both humanitarian and marketing goals of the United States.

STATEMENT OF HON. STEPHEN J. SOLARZ, REPRESENTATIVE IN CONGRESS FROM THE
13TH DISTRICT OF NEW YORK

Mr. Chairman and other members, I am very pleased to be here this morning to talk to you about a subject that has been very much in my thoughts these last few months. That subject is our Food for Peace program under Public Law 480. Last November I took a trip to four of the major recipient countries of our Food for Peace aid: India, Bangladesh, Taiwan and the Philippines. The poverty, the hopelessness, the hunger that I saw in these countries moved me profoundly. There is so much that needs to be done to relieve the suffering of the hungry millions around the world and to create the conditions under which every country in the world will be able to feed its own people, either by growing the food itself or by importing it commercially.

Our Food for Peace program is designed in part to provide this desperately needed humanitarian and developmental aid. However, it also has a number of other purposes, some of which are partly in conflict with its humanitarian and development purposes. It also has some shortcomings in its design. Since my trip, I have given considerable thought to the ways in which PL-480 could be amended so that it could better serve its vital purpose. The resulting amendments, which I intend to introduce in the House, are based partly on suggestions I received from people I met during my trip and partly on the advice of a number of experts in the field of food aid.

1. Proposed amendment: Under our Title II preschool feeding programs, priority shall be given, to the extent feasible, to children who are suffering from malnutrition, by the standard definition. Further, under all Title II feeding programs, priority shall go to those regions within each recipient country where the poorest people live. Finally, encouragement shall be given under Title II to the use of indigenous outreach workers who will bring both food and nutrition information to areas that are so remote that the people who live there cannot get to the places where the existing feeding centers are located.

Explanation: Title II, the humanitarian section of PL-480, can feed only a fraction of the 500-800 million malnourished people in the world. Therefore, each child who is fed who is not malnourished displaces a child who is malnourished. The changes I am proposing would not alter Title II's existing system of priorities, under which preschool feeding programs for children and

pregnant and lactating mothers come first, followed by Food for Work programs and then by school feeding programs. My proposed amendments would simply encourage the further targeting of our food aid to the people who are most desperately in need of it.

2. Proposed amendment: Before any purchase is authorized under Title I of PL-480, the President shall determine that adequate storage facilities will be available in the recipient country, taking into account predicted harvests, expected shipments from other sources, existing stocks, and projected levels of consumption.

Explanation: This provision is designed to prevent a recurrence of the scandalous situation in Bangladesh in 1976, when more food aid was shipped than could be stored in adequate storage areas, with the predictable result that tons of our aid rotted or was eaten by vermin.

3. Proposed amendment: Repeal that part of Section 103(d) which forbids PL-480 aid to countries that trade with Cuba and Vietnam.

Explanation: This provision caused a delay of food aid shipments to Bangladesh of several weeks at the height of the famine, with tragic results in human suffering and death. The President may waive the provision, but it seems unnecessary and cumbersome to have it in the first place, especially now, as the U.S. moves toward normalization of relations with those two countries.

4. Proposed amendment: No PL-480 Title I aid shall be given to those countries which have a pattern of gross violations of human rights, unless that aid is used for specific projects which will directly benefit the needy.

Explanation: Title I aid provides important financial support for the regimes of the countries to which it is sent. There should be a presumption against providing such support to regimes which grossly violate human rights. However, we do not want to cut off the possibility of aid to needy people. Specific projects are required, because otherwise it is very difficult to say whether Title I aid is benefiting needy people.

This provision would harmonize Title I with our other development assistance programs, now subject to the Harkin Amendment.

5. Proposed amendment: Expand and elaborate upon section 106(b) of PL-480, which now provides that a portion of Title I loans may be forgiven if the proceeds are used for approved programs of rural development. Among other changes, the 15% ceiling on such loan forgiveness would be removed; authority would be added to finance shipping costs under Title I for the poorest countries on the same concessional terms as food; and those which had used the food or proceeds for development projects could have this loan forgiven as well as food loans. In addition, a set of priorities would be established for the various purposes of the Act.

Further, a minimum would be established of a percentage of Title I loans which must be used for development purposes. That minimum would be 5% for the first fiscal year, 10% for the second fiscal year, and 15% for the third fiscal year. It could be waived if there were not a sufficient number of acceptable development projects and the President found that the humanitarian objectives of the Act would be better served by financing the commodities under other sections of the Act than by withholding them.

Explanation: Today, much of Title I actually serves as a disincentive for improved agricultural production in the recipient countries by driving down food prices. This amendment greatly strengthens and clarifies that part of Title I which actively aids in agricultural development. The provision for paying shipping costs was added because it makes Title I assistance much more available to the poorest countries, which in the past have found it difficult to utilize Title I. Thirty-three of the forty-six countries with per capita GNP under \$300 do not now receive Title I assistance, in large measure because of the prohibitive cost to them of paying the shipping fees. The cost to the U.S. of paying all the shipping fees for all of the countries in the 75% category now receiving Title I would be about \$135 million.

6. Proposed amendment: A minimum of 6 million tons of commodities for PL-480 shall be established. This minimum would be subject to availability and could be waived if the President determined that it was impossible to use this amount of commodities in a way that would serve the developmental and humanitarian purposes of the Act.

Explanation: About 6 million tons are now shipped under the Act. If the recipient countries had assurances of at least this level of continued assistance,

it would be possible to plan multi-year projects, without which it is difficult to have significant development. The minimum would also prevent the Administration from cutting commodity levels in order to meet the newly authorized costs of shipping.

7. Proposed amendment: Foreign private voluntary organizations registered with and approved by the Advisory Committee on Voluntary Foreign Aid may be utilized where no United States private voluntary organizations are available. This applies to both PL-480 and the Development Assistance Act.

Explanation: This provision nullifies a regulation which specifies that only U.S. private voluntary organizations (PVO's) can be registered and approved by the Advisory Committee on Voluntary Foreign Aid. Since by law only registered and approved organizations may administer our aid, the regulation in effect closes out foreign groups, unless they are able to work as agents of American PVO's. The change would make our aid more widely available by eliminating an unnecessary administrative restriction. It would enable us to utilize the services of established and highly reputable PVO's such as Save the Children and Oxfam, which are performing extremely valuable services in feeding the hungry, providing vital health services, etc. in areas of the developing world where American PVO's are not involved.

I feel that these amendments make significant improvements in our PL-480 program. Since this program is charged with such vitally important matters as feeding millions of hungry people and enhancing their future ability to feed themselves, it is absolutely essential that it be designed as well as possible. I hope that my proposed amendments will make a contribution to improving the Food for Peace program.

STATEMENT OF HOWARD HJORT, DIRECTOR OF AGRICULTURAL ECONOMICS,
U.S. DEPARTMENT OF AGRICULTURE

The Administration has proposed a four-year continuation of the food aid program. Over its lifespan the P.L. 480 program has maintained and stimulated U.S. farm exports and in general has had positive effects for the recipient countries. It has:

- Helped meet emergency and other food import requirements;
- Generated local currencies to finance economic development and agricultural self-help projects;

- Raised nutritional levels, particularly of the youngest population groups; and
- Contributed to political stability and furthering U.S. foreign policy interests.

The President has decided that a detailed study of the food aid program is due. We want to determine more clearly the extent to which we are achieving the various objectives and to identify more explicitly what emphasis we should place on each of the objectives. A thorough review should help us plan and administer an even-handed program that is consistent from year to year in meeting the needs of recipient countries. We want to avoid the variability that has occurred in recent years. For example, shipments of major grains under P.L. 480 declined from 7.6 million metric tons in FY 1972 to a low of 2.3 million tons in FY 1974 and then increased to 3.7 in FY 1975.

Fiscal year	Wheat, rice, and coarse grains		Total in millions of dollars
	Millions of metric tons	Millions of dollars	
1972.....	7.6	567.8	1,058.0
1973.....	5.5	551.7	954.0
1974.....	2.3	547.9	867.0
1975.....	3.7	735.9	1,101.0
1976.....	3.3	538.9	907.0

The United States has been and remains the world's major donor of food aid, mainly through P.L. 480. However, as food aid has increased from Canada, Japan and several European countries since 1968, the U.S. share of developed donors' disbursements of food aid dropped from over 90 percent during 1960-68 to a low of 48 percent in 1974 and up to 59 percent in 1975.

U.S. shipments of agricultural commodities under specified Government-financed programs (mainly P.L. 480 and small amounts under Mutual Security/AID programs) totaled \$28.5 billion during fiscal 1955 through September 1976. This amounted to about 40 percent of all U.S. economic aid. During 1970-75, the food aid share of U.S. economic aid declined to about 26 percent.

There have been many changes made in the P.L. 480 program since its inception in 1954. P.L. 480 was created in 1954 primarily as a temporary measure to bypass foreign exchange shortages of foreign nations and to dispose of U.S. surpluses. The Food for Peace Act of 1966 shifted the primary emphasis to encouraging agricultural and overall economic development abroad, combating hunger and malnutrition, promoting commercial markets for U.S. products and supporting U.S. foreign policy objectives.

The International Development and Food Assistance Act of 1975 amended P.L. 480 and placed additional stress on the contribution of food aid to economic development with particular encouragement for local food production in recipient countries. A major provision to this end is the authorization that up to 15 percent of the total value of Title I, P.L. 480 agreements can be "granted back" to recipient countries for approved projects for agricultural development, rural development, and population planning. Further emphasis was given to the poorest countries by the requirement that at least 75 percent of all Title I food tonnage be made available to countries with annual per capita GNP's of capita GNP's of \$300 or less.

Agricultural development is a complex, slow process, requiring many years of difficult adjustments before satisfactory production gains can occur. During the development period, many countries experience serious food shortages and have limited foreign exchange reserves. These countries need assistance to meet shortfalls in production, reduce extreme internal price fluctuations detrimental to growth and help to avoid uneconomic short-term measures to meet deficits. At least part of this assistance can be provided in the form of food aid.

We have made several proposals for improving the effectiveness of the program in meeting its objectives. These are in the Administration Farm Bill that Secretary Bergland discussed with the Congress last month. A major substantive proposal deals with the requirement that at least 75 percent of Title I commodities be allocated to countries with a per capita GNP of \$300 or less. We have proposed an amendment to provide that the poverty criterion be the level established for the World Bank's International Development Association (IDA) credits.

The World Bank updates its IDA poverty criterion periodically. This is being increased from a per capita GNP of \$375 to \$520 (in 1975 U.S. dollars) to account for inflation between 1973 and 1976.

Other proposals are covered in the answers to your questions or are procedural in nature and I will not repeat them here.

The remainder of my statement is addressed to the specific questions you submitted to me.

1. A number of recently published studies have projected large grain import needs for less developed countries by 1985—grain import on the order of 75 to 85 million metric tons compared with approximately 34 million metric tons in 1974. Has USDA done any studies of its own on this topic? Does USDA have any evaluation of the implications for less developed country income and growth of these potentially large grain import needs? What should the purpose of the U.S. Food for Peace program be in 1985 in the light of these projections? Should we begin thinking about revising the program in any substantial ways?

A number of studies have appeared recently on the world food situation, and more specifically the food situation in the less developed countries (LDC's). USDA analyses have appeared in several regular departmental publications including the *World Agricultural Situation*, *World Economic Conditions*, etc. A special USDA report—*The World Food Situation and Prospects to 1985*—appeared in 1974; two subsequent studies—*Alternative Futures in the World Grain-Oilseed-Livestock Economies* and an updated *World Food Situation*—are scheduled for publication later this year.

Despite the different approaches and objectives of recent studies, there appears to be a general consensus that the grain import gap—i.e. . . The difference between total consumption and indigenous production in the LDC's is likely to increase. Actual estimates of the LDC's 1985 grain import requirements range from somewhat above the present 30 million ton level to around

100 million tons. This wide range in estimates of 1985 grain import gaps is due largely to variations in rates of income, population and productivity growth. USDA assumptions of 2.7 percent population, 3 percent per capita income, and 2.7-3.0 percent productivity growth rates imply a likely gap of 50 to 70 million tons. Measuring the size of the LDC's import requirements, however, is not equivalent to measuring LDC food aid needs.

The implications of these "grain gap" projections for economic growth in the LDC's, and for U.S. food aid are mixed. While much of the LDC's projected demand growth is tied directly to population increases, a large part of increased import demand is linked to growth in income. This income induced growth in import demand is most apparent in the higher income countries of North Africa, the Middle East, and parts of East Asia. Up to 3/5's of the LDC's grain imports are expected to be concentrated in these more affluent countries with limited agricultural capacities. The increase in grain imports of these countries can be seen as a measure of both population growth and increased welfare. U.S. food aid to these countries could best be geared to meeting development goals. Only on occasions of marked production shortfall or natural catastrophe would famine relief be called for.

In many of the poorer Asian and African developing countries, slower rates of overall economic growth limit their ability to import while lagging growth in food production increases their need for foreign food. Sizeable imports are likely to be limited to years of significant production shortfall. The cost of even limited commercial purchases, however, are likely to slow economic growth considerably. Given the size of the calorie gap in most of these poorest countries and their large populations, U.S. food aid to this second group of countries could best be used to meet hunger and malnutrition needs arising from production shortfalls or natural catastrophes and secondarily to promote overall development. A U.S. commitment to improving nutrition would require development assistance aimed at speeding up growth in indigenous agricultural and non-agricultural production.

The implications for the size of the U.S. P.L. 480 programs depend on broader national and international grain reserve questions, and on the degree of U.S. commitment to improving diets in the developing countries. Adequate national or international stocks could minimize both the cost and the size of future U.S. food aid shipments. A U.S. goal of significantly improving nutritional levels in the developing countries, would expand the size of U.S. P.L. 480 program sharply. Effective use of food aid as a development tool would also be likely to expand the size of the U.S. program.

2. In using food aid in the future for economic development purposes, where should our program emphasis be—in expanding the Title II nutrition intervention purposes and food for work activities; or can we make a greater contribution to economic development in less developed countries by expanding the larger Title I program of government to government transfers? What changes could be usefully made in the administration of the Title I program or in the P.L. 480 legislation generally to improve further its effectiveness as a development tool?

Title I may be superior to Title II in terms of its effect on overall economic development. Title II may be superior in terms of its affect on overall social developments. The benefits from Title I sales come from its immediate impact on the recipient country's budget. The local currencies generated by the sale of P.L. 480 commodities enable the recipient government to expend more resources in a non-inflationary manner on various development projects. Each Title I sales agreement details the "self-help" projects which should be promoted by the recipient government. Other benefits from Title I sales include the diversion of vital foreign exchange to imports of other essential goods, since the agricultural commodities received under P.L. 480 can be repaid over a 20-40 year period. Stockbuilding and the addition of P.L. 480 agricultural commodities to supplement domestic supplies on the market also reduce inflationary pressure and help keep consumer prices lower or more stable.

The effectiveness of Title I could be improved by multi-year programming, giving the "self-help" projects a stronger role, allowing more administrative flexibility to target food aid to where it is most needed, using the new "grantback" provision of forgiving a part of the repayment obligation to recipients that use the generated currencies for approved development projects, and coordinating P.L. 480 activities with overall U.S. development assistance.

Title II can play an important role in helping to develop countries by improving the well-being of the most vulnerable groups. Title II is considered to have the greatest potential in improving the diets and health of preschool children (most critical years of a child's development are before five) and expectant mothers and supporting self-help development and community projects in rural areas (development of roads, schools, housing, health centers, flood control, irrigation, reforestation, etc.). Title II donations accounted for about 22 percent of all P.L. 480 exports through fiscal year 1976.

It is likely that Title II programs could be increased in various areas. The Administration is proposing that the annual maximum allocation for Title II be increased from \$600 million to \$750 million. This level would be adequate, in our opinion, to meet requirements up to 1.5 million metric tons, particularly with the authority to carry over the prior year's unused funds. However, due to difficulties of distributing much larger amounts of donations, it is unlikely that Title II could be increased anywhere near the extent of Title I without significant improvements in administrative procedures and distribution facilities in recipient countries. Thus, primary emphasis may still have to be placed on Title I, but the degree of priority given to the two types of programs could vary from place to place.

3. How much of a problem is the price and agricultural production depressing impact of Title I commodities in major recipients? What can be done to reduce or eliminate this problem?

Since the mid-1960's, there have been few studies on the impact of P.L. 480 on agricultural production and prices in recipient countries. In some cases, food aid along with economic, political and social pressures within developing countries may have caused some disincentive effects on agriculture and government postponement of measures to promote development. However, generally measures have been taken by the United States and recipient governments to mitigate any disincentive effects of food aid. Also, internal factors such as price and credit policies have generally been far more powerful in influencing developing countries' programs than the availability of food aid.

Most recipient governments have maintained strict controls over food grain imports and the internal distribution and pricing of imported and domestically-produced grains. For example, some governments sold lower-priced grain imports at the higher level of domestic prices and used the markups to help defray marketing and other agricultural costs. Other governments that subsidized imported grains to low-income consumers may have had little direct effect on producer prices. Before food aid began, it was the policy of many governments to restrain consumer price increases. Thus without P.L. 480, government price and marketing controls might have intensified to prevent severe price increases. Food aid in most cases can be distributed in such a way as to avoid a disincentive effect on domestic agriculture. Also the positive income and development effects would probably increase the demand for food in the longer-run.

Several amendments to P.L. 480 encourage countries to promote their own agriculture and reduce population growth as a condition for receiving Title I commodities. Some major self-help measures specified in the law are improvement of storage and distribution facilities, development of small family agriculture and increasing food supplies to the poor. The 1975 law also encourages countries to use local currency proceeds for programs of rural development, nutrition, population planning and farmer-to-farmer activities. Generally, the United States has programmed Title I commodities to meet a country's needs after its domestic shortages have been estimated, thus reducing disincentive effects.

Since the world food crisis in the early seventies many countries have given greater priority to agricultural development. As long as recipients and the United States continue to emphasize that major efforts to promote development must come from within the developing countries themselves, and food aid is carefully programmed, it should be possible to avoid disincentive effects.

4. How can we avoid wastage of food aid and even disruption of recipient country prices, trade and production when food aid is used to dispose of U.S. agricultural surpluses?

To minimize wastage, the quantity and timing of food aid shipments must reflect need and handling capacity within the recipient country. To help answer the key questions of how much and when, an accurate assessment of

the recipient country's food situation should be made with regard to the specific need for concessional food aid, including the capacity of the country to handle food imports. This should be done with a minimum of political influences either from within the United States from pressure groups or from the recipient country government eager for the revenues that result from the sale of concessional food imports. The assessment should consider the special circumstances of each individual country including contingency plans for emergency needs and reduced levels of production.

Limited storage and management capabilities, the difficulty of quick movement of food stocks, and the unstable nature of the food supply are characteristic of many of the countries that receive food aid. To overcome these problems as they relate to the supply of food and imports requires a judicious scheduling of all arrivals. Considerable time is required for delivery of a P.L. 480 food shipment. After an agreement is negotiated and a purchase order issued, six to eight months may pass before food arrives at the local market where it is needed. If the U.S. is to make its food aid programs more responsive and timely, we need to make continuing efforts to shorten the time involved. The coordination and cooperation of all donor countries with the appropriate agencies in the recipient country government is essential. Overall coordination of a country's food program and food aid might be accomplished by the establishment of a coordinating agency within the government of the recipient country.

Within the recipient country, storage and handling facilities should be improved to provide sufficient capacity to handle the requirements of government food distribution programs such as ration, procurement, pricing policies, to properly handle food stocks and distribution programs. Pest control, bulk handling, inventory control, and equipment maintenance would be topics of importance. The physical improvements can be accomplished by building new storage facilities and/or rehabilitating old facilities. U.S. AID technical assistance could be directed toward the above programs. Revenues from the sale of P.L. 480 concessional food could be allocated to finance these efforts to decrease wastage. Additionally needed stock protection chemicals and equipment could be programmed at the appropriate levels for each P.L. 480 agreement. This would guarantee the adequacy of pest control supplies when and where they are needed.

To reduce waste, the quantity programmed for P.L. 480 should reflect a scheduling of arrivals to meet the recipient country need, handling capacity, proposed aid levels from the other donor countries, and commercial imports. Each P.L. 480 agreement should be flexible enough to allow quantity and timing adjustments should they become necessary due to stock buildup, production shortfalls, or emergency conditions within the recipient country.

5. After nearly 20 years of providing an average of nearly 13 million tons of food aid annually, in 1973 and 1974, the U.S. cut its food aid program sharply due largely to food shortages and high food prices. These cuts came precisely when less developed countries needed the food aid the most. Is there any way we can avoid in the future having to cut back food aid when recipient countries need it most?

The 1974 World Food Conference recommended that donors adopt the concept of "forward planning" or multiannual commitments of grain aid. As of February 1977, Canada was the only major food aid donor to formally make multiannual commitments of bilateral grain aid.

Advantages to multiyear allocations of aid are that it could provide greater continuity in the flow of aid to countries whose needs are fairly regular and avoid the disrupting effects of wide fluctuations in grain prices. A disadvantage could be that foreseeable changes in donor supply and demand levels would make it difficult to meet the donor's advance aid commitment. This problem could be alleviated by creation of an international coordinated system of national reserve stocks. We will continue in negotiations with other nations to establish some sort of an international food security system. Meanwhile, we have recommended that we begin with a food grain reserve program in the United States. The Department is also looking closely at Senator Humphrey's proposal for a small government owned reserve to insure meeting food aid commitments.

Assurance of adequate food aid supplies over a long period will require that principal food aid donors work more closely in coordinating their food aid programs and sharing responsibilities for providing assistance.

Making global assessments and projections of food production and needs, as required annually by the 1975 amendments to P.L. 480, should also help in planning for future adequate supplies of aid commodities. The requirement in 1975 legislation of a minimum tonnage level for Title II programs was another attempt to solve this problem, though the 1.3 million ton minimum is only a small part of U.S. total food aid.

However, at present the USDA is required to meet the "availability criteria" before programming for food aid shipments so domestic food supply and domestic and commercial export demand conditions determine the levels available for food aid. We have proposed that the criteria for determining availability of commodities be amended to provide the Secretary specific authority for making commodities available in times of limited supplies so as to meet natural disaster needs and multi-year commitments to foreign nations for humanitarian food needs.

6. What past successes and future prospects do you see in using food aid to develop markets abroad for U.S. agricultural exports?

To the extent that food aid exports have helped promote economic development, they have also helped develop commercial markets abroad. As developing countries have increased their growth and improved their foreign exchange position, they have tended to increase their commercial purchases from the United States and reduce or terminate their need for food aid.

U.S. agricultural exports have increased to most principal developing country recipients of food aid. Commercial sales of farm products to developing countries totaled over \$5.8 billion in fiscal 1976. This represented about 28 percent of total U.S. commercial sales and 85 percent of all U.S. farm exports to developing countries, compared with 16 percent of the total and 40 percent to developing countries a decade earlier.

For example, the Republic of China (Taiwan) and Brazil graduated from being principal Title I recipients in the mid-1960's to being the 11th and 13th major commercial market for U.S. farm exports in fiscal 1976. U.S. commercial sales also increased considerably to several current major P.L. 480 recipients, such as the Republic of Korea, India, Indonesia, Israel, and Egypt. In fiscal 1976, India was the 8th largest commercial market for U.S. farm products—up from 18th place in 1974. Since fiscal 1972, Korea has been one of the 10 leading commercial customers for U.S. farm products.

Food aid should be considered as a means of breaking the food barrier to economic progress. Relief feeding in an emergency is a prerequisite to economic development, but workers must have sufficient food for sustained effort on development projects. Food aid can prevent debilitating diseases that reduce worker productivity. In those cases where production in the developing countries is not likely to respond fast enough, food aid has a unique place in an integrated program to accelerate economic growth. The P.L. 480 program is more than simply a food transfer on easy terms. It is also a transfer of resources, in that the agricultural commodities sent out under P.L. 480 can be sold by the recipient government and the local currencies generated then used for economic development projects. As the economies of the recipient countries develop they outgrow the reliance on food aid.

STATEMENT OF KATHLEEN S. BITTERMANN, COORDINATOR, OFFICE OF FOOD FOR PEACE, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman and members of the committee, I am pleased to appear before you today to discuss U.S. food aid and its relationship to economic development.

As you no doubt are aware, U.S. food aid under Public Law 480 began in 1954. Title I of the Act authorizes sales of U.S. agricultural commodities on long term concessional loan terms to friendly countries. Title II authorizes donations of food for disaster relief and for other feeding activities such as maternal child welfare, food-for-work and school lunch.

Since 1974, the United States has provided each year between 50 and 60 percent of the annual goal of 10 million tons of food set by the World Food Conference. For FY 1977 the level of U.S. food aid will be about 6 million tons and for FY 1978 we are projecting 6.3 million tons. Of this amount, approximately 75 percent will be under Title I and the balance under Title II.

Although P.L. 480 is a multi-purpose statute that includes trade expansion, development of markets and other foreign policy concerns among its objectives, the program has provided strong support to U.S. economic development objectives.

First, a strong link to economic development is the improved nutrition which both the Title I and II programs provide. Ironically, this factor is often overlooked, as food aid and nutrition activities are more often associated with humanitarian rather than development objectives. It is clear, however, that an adequate level of nutrition is essential to development. Conversely, malnutrition increases susceptibility to debilitating disease and serious malnutrition has direct debilitating consequences, especially for the young. Both effects have negative consequences for development.

Second, food sales under Title I provide resource transfers which enable scarce foreign exchange holdings to be channeled into development efforts.

Third, Title I assistance provides a backup resource which can encourage developing countries to undertake new policies aimed at increasing food production which might otherwise be risky without an assured supply of food.

Fourth, proceeds generated from the sale of Title I commodities may be used by developing nations to finance programs of agricultural production, rural development, nutritional improvement and population planning.

Finally, under the donation program (Title II) food provided as part payment of wages in public works programs helps construct and expand infrastructural facilities such as rural roads, wells, irrigation, etc. that are a vital part of programs designed to increase agricultural production.

On balance over the years P.L. 480 programs have had a strong positive impact on development. This is not to say, however, that there are no aspects of the P.L. 480 program which conflict with or hinder the realization of development goals. For example:

U.S. crop cycles and/or commodity availabilities do not always mesh well with the import needs of developing countries.

Uncertainties as to supply availability can limit the integration of P.L. 480 programs with other development efforts.

Effective use of local currencies requires a degree of involvement by the U.S. in budgets and expenditures that may be regarded by some countries as unwarranted interference in internal affairs.

Large long-term food aid may create dependence and foster disincentives to local agricultural production efforts.

These are factors which can but do not have to inhibit development.

Developing governments' policies regarding food imports, pricing incentives, agricultural production, etc. are fundamental to the effective use of P.L. 480 programs as a positive development tool. In the cases of Japan, Taiwan and Korea large scale imports of P.L. 480 commodities were complementary to successful efforts to increasing agricultural productivity. The record in Pakistan and India has been mixed but by no means negative. Although in many instances the United States has limited ability to influence other governments' policies in the area of food production, we must make every effort to insure that food aid programs work in tandem with our dollar assistance activities and with the development efforts of recipients themselves.

Looking to the future, in our judgment, a continued food aid program will be essential. While estimates vary somewhat depending upon such assumptions as population growth, levels of inputs, etc. most experts agree that the grain deficits in LDC's will grow significantly, perhaps as much as three or four fold by 1985, unless appropriate food production and population measures are taken. The ultimate solution to this problem will be to increase food production in the LDC's. Food aid will be crucial as part of a development strategy which seeks a better balance between food production and population growth. In this context food aid would initially help bridge the food gap and over the long term will help provide a degree of certainty in food supply which is essential to a strategy of development.

While the need for a continued food aid program is clear, the development impact of the program can be further strengthened. In order to accomplish this the President has directed that a study be undertaken within the Executive Branch to determine ways in which the development link can be improved.

Some initial steps have been taken in the recent past:

Interagency approval of a new system designed to integrate Title I programs with other development assistance was obtained.

A new program concept was devised whereby a "core" quantity of commodities would be offered to countries on a priority basis when a significant link could be demonstrated between food aid and development objectives.

Instructions were sent to the field on the use of the "loan forgiveness" authority contained in Section 106(b)(2) of P.L. 480. This provision permits the reduction of dollar indebtedness under P.L. 480 Title I in the equivalent amount of local currency that is effectively "used" in support of agricultural development, rural development, nutritional activities or family planning.

A.I.D. revised its policies on the use of local currency generations under Title I in order to permit where appropriate a more collaborative style of programming the use of the currencies.

Based on the minimum tonnage established for Title II a longer range planning effort with U.S. voluntary organizations and recipient governments has been permitted. We are also attempting to integrate Title II activities more closely with ongoing A.I.D. projects—particularly those which relate to nutrition, population and agricultural development.

In the near future we will be looking at such questions as:

How the P.L. 480 program can be more effectively linked to A.I.D. efforts to concentrate upon the small farmer and landless laborer.

How the nutritional impact of both Title I and Title II can be improved.

Whether the Food for Peace program can be targeted to reach poor people not now covered by either Title I or Title II.

What the relative size and concentration of Title I and Title II programs should be.

How P.L. 480 programs can relate to the development of a worldwide grain reserve system.

The terms under which Title I food assistance is provided.

In summary, we believe that the Food for Peace program has made a strong contribution to development in the past and with strengthening can make even a greater contribution in the future.

STATEMENT OF FRED H. SANDERSON,¹ BROOKINGS INSTITUTION

FUTURE NEEDS FOR FOOD AID

A great deal of work has been done in the past few years on future food production and food needs in the developing world. All of these projections—by FAO, the U.S. Department of Agriculture, the International Food Policy Research Institute, the World Bank—indicate that food imports by the developing countries are likely to increase in the next ten years.

In the 1960s, net grain imports by the developing market economies (excluding Argentina) rose from 18 to 27 million tons. The trend accelerated in the 1970s, with LDC grain imports rising to an annual average of 41 million tons in 1973/74—1975/76.

Import needs will be less this year because some of the most populous developing countries had two years of unusually favorable weather. Bumper crops together with a high level of imports enabled India and Bangladesh to build up stocks to the limits of their storage capacity.

Over the longer term, however, the projections point to a probable LDC grain deficit ranging between 60 and 100 million tons by 1985.

It is important to keep in mind, of course, that the "third world" is not a homogenous group of poor countries. In fact, some of them are becoming quite prosperous. I am not thinking only of the oil exporting countries. Producers of coffee, cocoa and certain raw materials have been doing very well. The more advanced developing countries have been quite successful in expanding their exports of manufactured products. The high and middle income group of developing countries, which accounts for roughly two-thirds of the projected grain deficit, is believed to have relatively favorable prospects for income and export growth. Most of these countries should have little difficulty in financing

¹ The views expressed are my own and should not be attributed to other staff members, officers, or trustees of the Brookings Institution.

their food import needs provided that the industrial countries keep their doors open to imports of labor-intensive products in which the developing countries have a comparative advantage.

Among the remaining group of poor countries, there are a few which should not be in need of food aid because they will be food exporters (Thailand, Pakistan) or because they should have the capacity to earn sufficient foreign exchange to pay for their food imports (Nigeria and perhaps Indonesia).

This leaves a hard core of countries, with a projected population of some 1.2 billion people—three-fourths of them in South Asia—which will have great difficulty financing their food deficit, which is projected to increase from about 15 million tons at present to 25 plus million tons. These countries include practically all of the world's 400 million undernourished people.

It should be noted that these projections are based on the assumption that population, income and food production trends continue more or less as in the past fifteen to twenty years. This is a fairly safe assumption so far as population is concerned: a gradual reduction in the rate of population growth would not change the picture greatly until well after 1985.

On the other hand, even a modest acceleration of the rate of growth of production—from $2\frac{1}{2}$ percent to 3 percent—could sharply reduce the deficit. Indeed there is reason to expect some acceleration as a result of the doubling of global foreign aid commitments to agriculture since 1973. The impact on production will be only gradual, however, in view of the long lead times involved in major investments in land improvement, irrigation, fertilizer production, etc., and existing economic and institutional impediments to the adoption of new technologies. (Even the "green revolution"—the successful introduction of high-yielding wheat varieties in India in the mid-sixties—caused only a minor ripple in the long term trend of total foodgrain output in that country.)

While food production in the poor countries may increase at a somewhat faster rate than in the past, this is equally true of the demand for food. Income growth, which has been extremely slow, shows signs of accelerating, despite the oil crisis. But this income growth tends to be localized in the small modern sectors of the economy, where it generates a demand for food that is not necessarily matched by a commensurate increase in food production.

In addition to market demand caused by rising incomes, governments are likely to be faced with continuing pressures to increase—and subsidize—the meager rations of the urban poor and, at the same time, with growing resistance to government procurement in the agricultural surplus regions. Distribution problems of this kind increase the need for food imports.

On balance, therefore, it is likely that the demand for food in the poor countries will continue to run ahead of production, even if current efforts to speed up agricultural development meet with a measure of success. Internal distribution problems may add to the need for imports. All this points to the conclusion that the projected 25 plus million ton food deficit of the poorest countries is probably not far off the mark.

Recent experience has shown that poor countries which have some foreign exchange will meet their essential food import needs even if they have to purchase grain for cash and at high prices (e.g., India). Inevitably, this sets back their economic development. Countries which do not have the foreign exchange (Bangladesh) will risk widespread starvation. Clearly, food aid is justified in both cases. If present projections of food import requirements of the poor countries have any validity, the need for food aid will increase in the next ten years.

THE ROLE OF FOOD AID

Food aid has come under increasing criticism of late. There are those who question our programs on the ground that they do not reach the people in greatest need and that the proceeds of sales are squandered by profligate governments on the salaries of unneeded civil servants, police, armed forces and miscellaneous frills. There are allegations of corruption in the distribution of food aid in receiving countries.

Others feel that imported food competes with, and discourages domestic production, or that food aid leads governments to relax their efforts to increase agricultural production and to control population growth.

Some of these critics keep raking old muck over and over. But I would agree that it is important to monitor these programs carefully and to let the public in on any difficulties encountered in their administration if we are to maintain public support for them. More timely reporting would also help.

A more basic criticism is that aid funds could be spent more efficiently on agricultural development assistance, and, most efficiently, on education and research. What these critics overlook is the element of time. Agricultural development is a slow and arduous process. Even with greatly increased assistance, there probably is a point beyond which the rate of growth of food production cannot be speeded up. Meanwhile, hundreds of millions of people live in a condition of chronic undernourishment which saps their strength, vitality and motivation. Food aid can help meet their most pressing nutritional needs.

Food aid makes economic sense, quite apart from humanitarian considerations. Better nutrition improves the productivity of the recipients. Better nutrition of children, in particular, is an investment in human capital which probably yields higher returns than any other investment.

A properly managed food aid program can make an effective contribution to agricultural development if the proceeds of local sales are used to finance investments in food production and related activities. The provision in Section 106(a)(2) which allows AID to waive up to 15 percent of repayments if the funds are used for agricultural development was a step in the right direction but it does not go far enough. To provide a more effective incentive for developing suitable projects, I believe we should eliminate the 15 percent limitation, so far as the poor countries are concerned.

I do not agree with those who think that we need to apologize for providing aid in the form of food rather than cash. For the United States and other agricultural exporting countries, providing aid in the form of food makes economic sense because it uses efficient agricultural production capacity that would otherwise lie idle as a result of trade restrictions. The program is also cost-efficient in the sense that budgetary expenditures for food aid are partly offset by budgetary savings on farm support programs when market prices are below target prices. Food aid has enjoyed strong support, not only among our farmers but among city people as well. It is not at all certain that cutting back PL-480 would make funds available for other aid programs.

I don't think it is true that food aid is less useful to receiving countries than other aid. Aid in any form, if it does its job of promoting economic development, will raise incomes in the developing countries. At the low income levels prevailing in these countries, a large proportion of any additional income—as much as 40-50 percent—is spent on food. Given the time lag in agricultural development, much of the additional demand for food would have to be met by imports in any event.

It is important, however, that food aid recipients be given a free choice of U.S. farm products they want. Too often, in the past, has the U.S. urged commodities upon receiving countries which happened to be in oversupply in the United States. This practice is undesirable and, in any event, unnecessary in a market-oriented farm program.

There is one final thought I should like to leave with the Subcommittee. Until about ten years ago, the United States was practically the only donor of food aid. Now, many other countries share this responsibility with us through their participation in the World Food Program and the Food Aid Convention. Together they contribute about 40 percent of the total. The European Community has become a major donor. I believe the time has come for the U.S. to take the lead toward further expansion of international cooperation in this field—for example, by proposing an increase in the contributions to the Food Aid Convention.

STATEMENT OF HERBERT J. WATERS, PRESIDENT, TADCO ENTERPRISES, INC.

The Food for Peace legislation is deliberately broad in concept and designed to serve varying purposes, sometimes seemingly in conflict. They need not be, with proper administration and guidance from the Congress as to priority of objectives.

For more than two decades this program has had profound impact for the good on international economic development as well as on American agriculture itself.

From its inception sponsors of this legislation knew it must serve more than one purpose; simultaneously helping other countries otherwise unable to buy urgently needed food supplies, while also benefiting American agriculture otherwise deprived of a market in developing countries.

Perhaps one of the great by-products of PL 480 has been a greater understanding in rural America of the vital importance of economic assistance to developing countries. We probably never could have mobilized support for shouldering our rightful responsibilities toward building a better world elsewhere unless we involved our farm people directly in that effort—building better markets for them, while we were building a better life for other people.

Despite all the criticisms that evolve from time to time over administrative details, the overall success of the program will be recorded in history as an imaginative approach when new ideas were needed, and a tribute to the foresight of the legislators from rural America who developed it.

With that general comment, I would like to move on to more specific suggestions about several phases of the program that might be helpful.

For Title I: In country selection criteria, some special consideration should be given to countries who buy food on long-term credit terms but use it entirely for socially-desirable purposes of distribution among its most needy people rather than just for commercial resale.

In encouraging better nutrition, some special incentive should be provided for credit purchases of high protein blended foods or other protein-fortified processed products, such as charging only for the grain equivalent and absorbing the processing cost.

In seeking to expand sales participating, consideration should be given to mandating a set-aside of some percentage for sales by producer-controlled export groups or smaller exporters so that a government-financed export program is not dominated by a handful of major multinational grain traders.

In years of higher than normal production in the U.S., more consideration should be given to helping build up developing country stabilization reserves to protect them against adverse crop conditions in their own country, sudden drastic cutbacks in future food aid in any given year, or even sharp international price fluctuations.

For Title II: Food donation programs embody most of what the public conceives the Food for Peace program to be—providing humanitarian people-to-people assistance directly to the people who need it the most, most directly providing nutritional emphasis, and providing the most visible evidence of U.S. compassion and sharing. Yet Food for Work project, Maternal-Child-Health programs, and school feeding programs all have a significant development impact—and possibly could have even more if AID programmed more of its technical assistance and economic assistance into projects of which the food assistance was a direct component. Improved Administration:

It's time to re-examine and update the Administrative mechanisms for this program cutting across many departments of government. It is still operating under an executive order issued by President Eisenhower in the 1950s, even though its purposes and objectives have been shifted considerably by the Congress since then.

AID needs to devote more of its staff and financial resources to back up and make more effective a program for which all commodity and shipping costs are paid by USDA. We now spend more manhours of administrative cost policing or investigating abuses of programs than we do in good management to prevent abuses or poor planning from occurring. Food is a valuable resource, and should be used as wisely as money to achieve the maximum benefits.

GUIDING CONCEPT

We can't work out administrative details or assign responsibilities unless we really agree on what the program is intended to do. We accept as proper the Act having multiple purposes. But Congress and the Administration must choose some priorities among those purposes.

My concept is simple. The first priority must be needs of people, the second priority must be needs of American agriculture, the third priority is pragmatic accommodation to make both objectives match up, and thereby assure the continued support without which both higher priority objectives will suffer.

TESTIMONY OF HERBERT J. WATERS, PRESIDENT, TADCO ENTERPRISES, INC.

INTRODUCTION

Mr. Chairman, I appreciate being invited to participate in these oversight hearings on the Food for Peace Program (PL-480). You are to be commended for calling them. In my opinion, such oversight hearings should be conducted every year, regardless of whether or not reauthorization of the Agricultural Trade Development and Assistant Act is required.

The legislation is broad in concept and designed to serve varying purposes, sometimes seemingly in conflict with each other. They need not be, with proper administration and guidance from Congress as to priority of objectives. Because of this, continuing oversight by the Congress is not only wise but necessary to avoid administrative distortions of Congressional intent, and continuity of understanding by the Congress of the changing nature of the world's agricultural situation which significantly influences and will continue to influence the Future of Food Aid, the theme of your hearings.

I speak as an individual, but an individual with considerable background experience in this program. I am also President of the American Freedom from Hunger Foundation which has a vital interest in this program, but I choose to appear as an individual today for maximum freedom of expression about the program. Perhaps for the record I should qualify myself as having considerable background knowledge and experience with the program, and personal dedication to it. One way or another, I have been involved with it since its inception.

It was my privilege to be associated with the Chairman of this Subcommittee (Senator Humphrey) at the time the original concept was developed, with strong bipartisan support. I was directly involved in its original passage, and earliest reviews and refinements. During the 1960s I accepted appointments in the Executive Branch under both Presidents Kennedy and Johnson that included, among other functions, major administrative responsibilities for operation of the Food for Peace programs overseas. Since my retirement from Government in 1968, I have continued my very close interest, and direct involvement, in functioning of the program, both as a civic capacity as President of the American Freedom from Hunger Foundation, and during the World Food Conference of 1974, Chairman of the World Hunger Action Coalition composed of more than 75 nonprofit public interest voluntary groups in the United States; and as a private businessman engaged in international food and agricultural trade and development.

As result, I have the unique ability, perhaps, to look at the program with a very broad perspective, not only over the span of 25 years of its existence but more importantly from experience with it in both the legislative and executive branches of government, and in the voluntary agency and private enterprise areas of nongovernment.

With that background for the record, I would like to make some general observations then proceed to some specific ideas in the form of suggestions to consider.

PROGRAM BACKGROUND

Public Law 480, from its inception and through its multiple revisions and refinements, and despite all its critics, has been a tremendously significant legislative accomplishment that has had more than two decades of profound impact for the good on international economic development as well as on American agriculture itself, and I see no conflict between those two goals as I am convinced we cannot succeed in one without sharing equal concern for the other.

Perhaps I can explain by putting into better perspective the real original concept of this program. For too long it was interpreted, and sometimes today is still misinterpreted, as a "surplus disposal program." True, the only way we could get the support of Congress to enact the program originally was to play heavily upon the excessive accumulation of U.S. food production that had become price-depressing to American agriculture, burdensome to the taxpayer, and a whipping boy of the media. For years PL-480 was only referred to in the press as the "surplus disposal act"; yet I respectfully refer all historians to the Act itself, wherein were set forth far more constructive purposes. It was

to share our productive capacity; to share something we had plenty of, with those unable to otherwise buy it; it was to make use of our productive capacity for constructive purpose of helping others, rather than turning it off while others went hungry.

In the minds of many of its original sponsors—men in both political parties dedicated to American agriculture, and men from rural constituencies—yet men who were internationalist at heart, who saw the growing problems of the world around us—was concern for how America could shoulder its rightful responsibilities of building a better world elsewhere when we were confronted with serious economic problems at home, among our own farm people; a concern not far different from the situation that exists today with our own unemployment and low farm prices.

They knew that, in the long run, America's future lay not in turning inward, but in helping others to progress; they knew that we ourselves would never be a big enough market for all we could produce, either on our farms or in our factories, and that our future markets were linked to economic development of the then underdeveloped world.

They had the foresight to realize that our own political security rested not just on military might, but rather on the extension of the American heritage of freedom, compassion, and human justice. They recognized that a world of poor and the deprived would come to resent a country of wealth and abundance, unless we showed a willingness to share and help others help themselves. Yet they knew rural America would not support "foreign aid" per se if they thought of it just in terms of transferring dollars from our economy to others. They had the wisdom to see that farm people, basically humanitarian and religious people, would respond better to sharing their own productive capacity, and eventually with it sharing their own technology. It was a matter of using what America could provide best—food, and the ability to produce food.

As a result Public Law 480 has not only helped meet world food needs, it has helped international interest in America's rural areas, and is probably largely responsible for us being able to sustain and maintain our entire economic assistance program.

It hasn't been just "surplus disposal"; it has truly been a proper sharing of America's abundance, and its capacity to produce—and brought with it the support of the producers for foreign economic assistance.

From its inception many of those most dedicated to Public Law 480 have sought to get rid of the old "surplus disposal" image, and to strengthen its acceptance as an effective instrument for development, as well as for humanitarian assistance and nutritional help to enable countries to help themselves. We took specific legislative action to redirect the program in that direction during the mid 1960s and steady progress has been made ever since.

ADMINISTRATION

The Food for Peace program always has had, and probably should continue to have, multiple purposes. There is nothing wrong with that as long as some purposes are not distorted at the expense of others. The multiple purposes do lead to some misunderstandings, as the program often means different things to different groups of people. It sometimes leads to misinterpretations in the media. The multiple purposes have the advantage of maintaining a broad base of support from many different sources, often admittedly for different reasons, but all combining for the general good of total national objectives.

The disadvantage of its multiple purposes is the fragmented bases all involved in its administration: USDA from agriculture's standpoint; AID from the standpoint of development; State from the standpoint of foreign policy guidance; Treasury from the credit viewpoint as well as allocation of foreign currencies involved; Office of Management and Budget from the standpoint of over-all budget control; and even within these agencies there is often much further fragmentation of interest claims.

It should be little wonder, then, that the program frequently bogs down in administrative nitpicking and red tape. Each of the agencies involved has its own interests it seeks to further, legitimately, perhaps, but too frequently time consuming, confusing, and self-defeating.

What too often appears lacking is adequate over-all policy guidance, streamlined decision-making mechanisms, and a dedication to the noble concepts rather than preoccupation with petty internal rivalries among bureaucrats.

In other words, many of the problems of Food for Peace are not legislative; they are administrative. Broad enough authority now exists within the Act to well serve each of its objectives, if there is Administrative dedication to achieving them.

Your oversight, therefore, should more often concentrate on Administration of the program rather than just reviewing proposed legislative changes.

SUGGESTIONS AND RECOMMENDATIONS

Title 1, long-term concessional credit sales.

1. Country Selection Criteria: Because of past distortions of original intent of the program to over-use its resources for international political purposes, Congress mandated a fixed percentage of Title 1 for the "poorest of the poor" countries. The re-direction was needed at the time. However, if confidence can be restored in Administration of the program along lines Congress recommends a valid case can be made for administrative flexibility rather than a rigid formula that sometimes creates problems without always advancing the objective sought to the best interest of the program. Whatever criteria is established, however, some provision should be made for taking into account the constructive use to which the food assistance resources are put in the recipient country. For example, a country may qualify in the "poor" category, yet not devote its food assistance to the benefit of the "poorest of the poor" people within that country as does some other country which for one reason or another ranks just above the "poor" country cutoff point. An example might be Jamaica, which has had a small Title 1 program from which it obtains only nutritionally-selected high protein products, and devotes them entirely to social programs for school feeding and maternal health care programs, rather than commercial resale. In effect, it has "graduated upward" from what would normally be a Title II program to the Title I purchases, but uses the resources entirely for the nutritional benefit of its children. It seems to me more examples of this could be encouraged under Title 1, if such use bolstered a country's priority for food aid. As it stands now, we really have just two categories of Title I programs: for the "poorest" countries, and for political supporting assistance, both involving commercial resale of the product to those able to buy. Perhaps we need a third category, of Title I sales to countries actually using the products for such socially-desirable purposes where it is channeled most directly to those needing it the most, rather than just ordinary commercial markets.

2. Incentives to up-grade nutrition benefit: Contrary to the Jamaica example, most Title I sales are non-processed farm products like wheat, corn, and rice. As a result Title I food assistance lacks the nutritional emphasis of Title II food donations.

To further encourage the sales of blended or protein-fortified foods, two years ago this Committee included a new provision of section 103 of PL 480 that would authorize the President to waive that portion of total value of a loan made under the authority of Title I which represents the actual and direct cost of processing such commodities. The Committee declared its intention that such procedure be made available only for the those processed commodities which are used under Title II programs and which by their special nature are designed to meet specific nutritional needs of the developing countries. The justification for such a procedure then given was to better achieve the objectives of the Act related to improving the nutritional status of the neediest individuals in the developing world. Unfortunately, this provision was lost in conference. We believe it should be restored. It would encourage transition in some countries presently receiving such commodities under Title II donations to sales of those commodities under Title 1, and eventually on a regular commercial basis. Regrettably, some producer groups have not appreciated that it is in their interest, as well as the processors, to stimulate export markets for these new low-cost high protein blended foods developed in this country as a result of this legislation. We believe such producers are wrong, and missing a chance for an added export market beyond export of grain as grain.

3. Expanding sales participation. One of the criticisms frequently heard about Title 1 sales is that for the most part they are handled by a relatively few major international grain traders dominating the grain business. The intent

of Congress in establishing credit programs to expand exports is to benefit farmers, into just grain traders. Why shouldn't they be more specifically oriented to financing exports by Producer-controlled groups, so producers share more directly the benefits of such exports? Our major grain cooperatives are showing a greater interest in exporting directly. So are many of our country elevator operators, banding together to explore forming export groups which, relatively, would fall into a small business category. In both instances the impact of export sales would relate more directly to producers, and likely bring some healthy competition for grain into the export buying market. I believe this trend can and should be encouraged by PL 480.

We enter into government-to-government agreements extending long-term credit, under certain specific conditions spelled out by Congress. The recipient government does its own buying, under regulations set forth by USDA. Why should other countries have to buy only through a few major multinational grain traders, now dominating this PL 480 business? Why can't at least a portion of this business be specifically set aside, by law or regulation, for either producer-controlled exporters or small-business exporters more directly related to rural producing areas?

There is ample precedent for Congress to require that producers share more directly in a program intended to benefit them, not grain traders.

In other government procurement, provision is made for small business "set-asides" to keep a few major big companies from gobbling up all government-financed business. Why not in PL 480?

In PL 480 itself, the law now requires that 50% of the cargoes purchases be moved on American flag shipping, even if it costs more than on foreign flag. It even provides for paying the difference in that shipping cost, to avoid penalizing the receiving country in carrying out a U.S. objective.

Wouldn't it make just as much sense to require that 50% of the grain exported be sold directly by producer-controlled export cooperatives, or at least provide for a small-business set-aside that would encourage new exporters to compete for this business? The more people seeking to buy grain, the better it is for farmers. In my opinion, any government-financed export programs should be examined with this end in view.

4. Building developing country stabilization reserves: Most Title 1 agreements are tailored against the commercial absorptive capacity of a recipient country, without interfering with its usual marketing purchases outside of concessional food aid, within a given crop year. Perhaps more thought should be given, in years when the U.S. has excess available amounts of one commodity or another, to assisting developing countries to build up their own stabilization reserves to guard against adverse crop conditions in their own country, sudden drastic cutbacks in future food aid in any given year, or even sharp international price fluctuations. In other words, the real objective of any worldwide food reserve system is to protect countries who may need food the most and be least able to compete for it in the market place in years of scarce supply, so why not shift some of the reserve carrying function to the countries the reserve is intended to serve? Of course, this can't work in all countries until adequate storage facilities are provided, but building adequate grain storage facilities for such purposes could well be regarded as a constructive use of Title 1 local currency payments or even for the forgiveness of payment authorization in the Act.

Title II, food donations.

While smaller in size, the Title II food donation program embodies most of what the public conceives the Food for Peace program to be—providing humanitarian people-to-people assistance, getting food directly into the hands of people needing it the most through U.S. voluntary agencies, disasters relief, or contributions to the World Food Program of the FAO and United Nations. It most directly provides the nutritional emphasis and input of the Food for Peace program. It most directly is visible evidence of U.S. compassion and sharing. It most directly gets to the poorest of the poor.

It would be a mistake, however, to think that Title II food programs do not make a significant contribution to development. The Food-for-Work projects, Maternal-Child-Health projects, and school feeding programs all have a significant development impact—and possibly could have even more impact if the Agency for International Development programmed more of its technical

assistance and financial economic assistance into projects of which the food assistance was a direct component. Too often they are looked upon as entirely separate programs rather than being integrated as closely as they should. AID has a direct appropriated fund budget for nutrition, yet very little if any of that money is programmed in connection with actual food input in Food for Peace programs. Supporting food distribution with educational training support in nutrition makes sense; providing small tools and equipment for food for work projects makes sense. You can't achieve everything with food alone, and a mix of food and financial support is often necessary to develop sound projects and programs.

Present legislation is probably adequate for the Title II programs, but they could be improved considerably by changing administrative attitudes toward these programs and their significance. They are not just "giveaways"; they are the heart of food assistance to people, and can be essential to sound development programs.

Your Committee took the lead two years ago in trying to establish more continuity to these programs, fixing a minimum quantity of commodities to be distributed annually. Unfortunately, this became administratively determined as meaning a minimum quantity to be "programmed" rather than actually shipped, and there is always considerable slippage between programming and shipping of commodities. Perhaps this intent needs to be made clear to the Executive Branch.

Improved administration.

Earlier I indicated administrative attitudes, rather than legislative restrictions, frequently determined how well or how poorly the PL 480 program served all of its objectives. I will now try to be more specific.

The new Administration, in consultation with the Congress, should up-date the executive order under which the program responsibilities are now carried out by various agencies. The food for Peace program is still being administered under an executive order issued by President Eisenhower, back in the 1950s. Yet the direction and purposes and emphasis in the program has been changed frequently since then by the Congress. We negotiated such a new Executive Order in the 1960s, but it was never signed.

The ad hoc way that has evolved to administer this program has worked, but it has its shortcomings; it leaves too many decisions at too low a level. Interagency staff mechanisms have evolved that work, but there is no real policy-level mechanism to match it where an agency could carry an appeal from the staff level coordinating mechanisms.

The Agency for International Development has gradually awakened to the significance of this program to its over-all objectives, yet it has devoted and still devotes too little of its own resources in staff and monetary support to back up a program for which all commodity and shipping costs are paid by USDA.

In many countries the food assistance available as a resource is greater than the financial resources available as part of an over-all economic assistance package; yet the staff devoted to programming and administering the food assistance is miniscule as compared to administrative resources used for AID's programs under direct appropriations. Food is a valuable resource, and should be used as wisely as money to achieve the maximum benefits.

I suggest this Committee remind AID of the resources it is getting from USDA, and call upon it to provide more adequate staffing of Food for Peace officers in overseas AID Missions to support these programs. We now spend more manhours of administrative cost policing or investigating abuses of programs than we do in good management to prevent abuses or poor planning from occur

Finally, let me return to the concept for the entire program which I mentioned in my introductory remarks. We can't work out administrative details or assign responsibilities unless we really agree on what the program is intended to do. I have accepted as proper the Act having multiple purposes. But I have emphasized also that Congress and the Administration must choose some priorities among those purposes.

My concept is simple: The first priority must be needs of people, the second priority must be needs of American agriculture, the third priority is pragmatic accommodation to make both objectives match up, and thereby assure the continued support without which both higher priority objectives will suffer.

Thank you, Mr. Chairman.

STATEMENT OF JOHN A. FERCH, DIRECTOR, OFFICE OF FOOD POLICY AND PROGRAMS,
DEPARTMENT OF STATE

Mr. Chairman, I would like to speak about the future of the Public Law 480 Program. I believe we can be proud of the past. The food aid activities of the United States since World War II, I believe, have been a major contribution to the welfare of all mankind. We must now, however, look to the future. Will there be a need for PL 480 over the next ten years, and if so, how should we structure its provisions? I believe there will be such a need. Our ultimate objective, to be sure, is a world in which U.S. food assistance is no longer necessary. However, we are still far from that situation. The food deficits of many developing countries are large and growing worse. PL 480 is more vital to them than ever.

I, therefore, believe that the PL 480 Program should be continued and strengthened. The latter objective can be furthered in several ways. First, by gradually increasing the portion of food aid which we give for humanitarian purposes under Title II. Second, by improving the development focus of our PL 480 programs. Third, by continuing the market development and foreign policy uses of PL 480 which have served our country so well in the past. I leave it to representatives from the Department of Agriculture to speak to the role of PL 480 in furthering domestic agricultural and market development purposes. I will address myself to its international aspects, which can be divided into humanitarian, developmental and foreign policy considerations. I also will offer a few remarks about PL 480 legislation and attempt to relate PL 480 to our emerging North/South policy.

The Title II humanitarian food aid program reflects the desire of the American people to see hunger, malnutrition and suffering alleviated throughout the world. The program serves several important purposes which should be continued and strengthened in the years ahead. Title II food aid, through our management control system, can be targeted to the highest priority and neediest groups in recipient countries. Title II is the major U.S. emergency food aid response for victims of natural and man-made disasters. It also is our principal source of supply for world food projects operated by the World Food Program, UNICEF and other UN bodies. We look to the UN to continue to guide this aspect of multilateral assistance, and we ourselves will maintain a generous contribution. As Title II programs evolve in the years ahead, I believe we should emphasize projects with a maximum development linkage. While helping to feed hungry and needy individuals, US food programs also should help them to grow and better provide for themselves.

This brings me to the broader issue of food aid and its contribution to development. American food assistance over the past 20 years has contributed significantly to the well being and development of many Third World countries by combating hunger and maintaining minimum health levels. Productivity and income levels have been raised. In addition, provision of PL 480 products has eased balance of payments constraints. Their sale in the local market has supplemented limited budgets and thereby permitted many governments to direct a greater portion of their scarce resources toward development activities. Notwithstanding such achievements, donor governments have been under attack in recent years for failing to establish a more direct relationship between their food aid and recipient countries' economic and social needs. It has been alleged that food aid has, on occasion, actually hindered development by depressing local food prices and thereby serving as a disincentive to local food production. Also, some argue that it has permitted recipient Governments to postpone policy reform necessary to stimulate agricultural development.

Although I believe that the evidence of actual situations in which PL 480 has had an adverse development impact is quite slim, I recognize the theoretical basis of the argument. Accordingly, the Administration supports without reservation efforts to make the PL 480 program contribute more directly to the economic development of recipient countries. Food aid is a particularly versatile means of supporting development programs since it can be made available either in kind to those sectors of the population engaged in the programs or, through sale in the commercial markets of the country, can provide the financing necessary to sustain more sophisticated aspects of the development plan.

If we are to more strongly support long term development objectives with our PL 480 programs, we need to be able to negotiate long term multi-year food aid commitments. Several proposals have been made along these lines which we wish to review carefully. Long term commitments can help us assure that

PL 480 programs foster and contribute to agricultural production and do not act as a disincentive. Stable and assured US food aid supplies over a period of several years would facilitate development planning and would enable countries to undertake more far reaching agricultural reform programs. PL 480 commodities provided in support of a Development plan also can be more readily directed toward the poorest sectors of society.

In the past, PL 480 often has been treated as a variable by the United States. That is, commodities are made available for the program only when the Secretary of Agriculture determines that domestic requirements, carryover and commercial export needs have been met. These are valid concerns, but the Secretary should be given some flexibility to assure that PL 480 commodities can be continued for multi-year commitments or for emergency situations. Inclusion of new authority along these lines in new PL 480 legislation, as proposed by Secretary of Agriculture Bergland, would help to ensure that the sharp cutbacks in volume which occurred in our PL 480 programs in 1973 and 1974 during years of tight supply would not be repeated. In this connection, I believe it would be useful to examine the desirability of a small PL 480 reserve which could provide further assurance that multi-year commitments could be met and would help to stabilize PL 480 programing levels during years of short domestic supply.

The question of how much PL 480 should be directed to multi-year developmental programs at this time is difficult to assess. Unfortunately, few Third World governments today are undertaking the comprehensive agricultural development programs of the type I describe above. We estimate that the amount currently made available for "grant back" will more than adequately accommodate our needs for multi-year development programing in the years immediately ahead.

Turning now to my third point, I recognize that the foreign policy aspect of PL 480 often is spoken of as a misuse of the food aid program. I do not agree. I believe the authors of the PL 480 Act were wise when they wrote into its preamble that among other things the program should be used "to promote in other ways the foreign policy of the United States". Most often people criticize using PL 480 assistance for foreign policy purposes when they disagree with the particular foreign policy goal being pursued. It is certainly valid to discuss the desirability of our various policies or even the efficacy of using PL 480 to help to achieve them, but it is not very realistic to suggest that PL 480 is somehow tainted by such use. If by use of the PL 480 program we can make some contribution to the prospect for peace in the Middle East, help to resolve the situation in Southern Africa, assist Portugal's evolution into a prosperous European democratic nation, or make some other contribution to our overall foreign policy, we should do so.

In a sense, of course, division of the international aspects of PL 480 into separate categories is misleading. Almost every program has aspects of all three, humanitarian, developmental and political, intertwined in it. Which is the major motivation or result in any particular program could be, and often is, argued. In any case, though we should be sure that any program is justified on economic and humanitarian grounds, we should not regard those inspired mainly by foreign policy considerations as in any way undesirable. In terms of priority, I believe we should continue to give first emphasis to those programs predicated mainly on humanitarian and developmental considerations. This is fundamental to the philosophy which inspires our food aid programs.

In discussing the foreign policy aspects of PL 480, I believe it would be appropriate to refer briefly to the question of human rights. It is not necessary for me to emphasize to you the Administration's concern for human rights throughout the world. President Carter and Secretary Vance by their actions and words have done so already. The Administration already has made plain that human rights considerations will be taken into account in all aspects of our foreign affairs. I can assure you that they also will be considered fully in the administration of the PL 480 program.

Both Congress and the Executive have made a distinction in the application of human rights criteria to various forms of international assistance between those forms of aid which are of direct benefit to the people and those which mainly assist the government apparatus and only indirectly affect the people. PL 480, both Title I and Title II, is in almost every instance of direct benefit to the people of a country. Either they receive food for free, or the supply of food which they can purchase is expanded. I think this is an important consideration.

Let me turn now to PL 480 legislation and make a few comments which I believe are important. Secretary Bergland indicated in his testimony that the Administration supports a four year extension of the PL 480 Act and I want to explain the rationale for that request. A four year extension is necessary if we are going to begin to negotiate the type of multi-year development-oriented food aid programs I have discussed above. It would help to integrate food aid into our emerging North/South strategy and would signal both recipient developing countries and other food aid donors that the United States intends to work seriously toward the food aid goals agreed to at the World Food Conference of 1974. I believe a four year extension would be consistent with Congress' own desire to make our food aid both more supportive of long term development efforts in food deficit countries and responsive to their immediate and growing food needs. Finally, it would permit the United States to participate in renegotiation of the Food Aid Convention which expires in June 1978. Our failure to participate would lead to the collapse of the Convention thereby undermining progress made at, and since, the World Food Conference to 1) make food aid a more universal responsibility and 2) rationalize the allocation of food aid.

I also strongly support the Administration's proposed amendment of Section 111 of the PL 480 Act which provides that at least 75 percent of Title I programs be directed to countries with *per capita* GNP under \$300. We propose to use the IDA poverty criterion (currently \$520 *per capita*) to replace the \$300 *per capita* GNP figure because the latter has caused programing difficulties this year which will become worse in 1978. Let me explain in more detail what I mean.

In FY 1977, the food aid requirements of a number of countries in the Indian Subcontinent will be less than anticipated in the initial allocations table which the Administration sent to Congress in September 1976. Our first priority has been to use this shortfall to increase programs for other countries in the 75 percent category. We have had some success in doing this, but there are limits to the number of countries in the under \$300 category which might be suitable candidates for Title I food assistance.

Meanwhile, we have received a number of food aid requests from countries in the 25 percent category. Our general policy has been to keep these requests under review until we can more accurately assess the future food aid requirements this year of countries in the 75 percent category. If we cannot effectively reprogram food aid to countries in the 75 percent category, we will then begin to act on new and expanded programs for countries in the 25 percent category. The Administration is likely to make a judgement on this in the Spring. Congress will be informed.

Next year, our programing situation will become even more complicated under the 75/25 provision. One of largest food aid recipients, Egypt, is expected to cross the \$300 per capita line and other food aid recipients, or potential food aid recipients, may do so also. To maintain a large program for Egypt and still meet the 75/25 requirements in these circumstances would require substantial reprograming to other countries in the 75 percent category and a very sharp cutback in the already limited food resources available for the 25 percent countries. In fact, the cutback to the 25 percent countries would be so sharp that we would have little or no food aid left for programing to other countries. Clearly this situation would be highly undesirable.

Before concluding, I would like to underscore the importance of PL 480 in the broader context of our relations with the developing countries. As you are all aware, the developing countries as a group criticize the structure of their relations with the developed countries and demand change. Food aid has not been exempt from such criticism. While much of it has been emotional and ill-founded, on certain points we must accept the merits of the argument. This is especially true with regard to our previous inability to commit food aid to multi-year programs.

The food problems of many developing countries in the years immediately ahead are projected to reach very significant magnitudes for many reasons. PL 480 alone cannot meet those projected food needs. For this reason, our policy has been patterned on the conclusions of the World Food Conference of 1974. That is, food production in Third World food deficit countries must be increased and world food trade liberalized in order to maximize world production. World food security should be enhanced through an international

system of nationally held grain reserves. We address the first point through the AID program, the second through our stance in the trade negotiations in Geneva, and the third through our proposals at the International Wheat Council. At this time I would like to stress the complementarity of food aid and international grain reserves. Under normal circumstances even food deficit countries can afford to meet a portion of their food needs through commercial imports. However, in 1973 and 1974 many Third World purchasers were forced to devote a significant portion of their earning to Food imports when grain price increased harply. An international system of grain reserves would moderate the price increases and would make available additional grain for commercial sales during low production years. Such a system thus would hold the need for food aid to a minimum. It also would have positive budgetary implications for both developed and developing countries. For an international system of reserves to function smoothly, however, it must treat the world market for grains as a whole and not attempt to deal directly with the food needs of the Third World market. Only in this way can reserves dampen the price cycle. With your support, the Administration intends to continue both to press for the adoption of an international system of grain reserves and to increase the funding of its food aid programs.

In summary, I strongly support the extension of the PL 480 Act. PL 480 has been one of the real successes among the programs begun by this nation in the wake of the Second World War. It can be improved, however, and I am confident that an even better law will emerge from Congress this year.

STATEMENT OF REV. J. BRYAN HEHIR, ASSOCIATE SECRETARY, OFFICE OF INTERNATIONAL JUSTICE AND PEACE, UNITED STATES CATHOLIC CONFERENCE

Mr. Chairman and members of the subcommittee, I am Reverend J. Bryan Hehir, Associate Secretary, Office of International Justice and Peace, United States Catholic Conference (USCC), which is the national level action agency of the Catholic Bishops and which represents the concerns of the Church on a broad range of policy issues.

First, Mr. Chairman, I wish to thank you and other members of the Committee for giving me this opportunity to express the views of the USCC on the question of food aid. As you may know, Mr. Chairman, from previous USCC Congressional testimony, we strongly support the use of food aid: (1) to help combat wide-spread malnutrition and hunger in poor countries and assure people's basic right to food and (2) to encourage increased food production in recipient countries so as to progressively reduce their dependence on food aid.

In my testimony I propose to outline the views of the USCC on how PL 480 might be strengthened so as to more effectively promote these two objectives.

We appreciate that numerous amendments to PL 480 in recent years have given increased emphasis to meeting urgent food needs abroad and encouraging recipient countries to increase their own agricultural production. However, we believe the law continues to be deficient in both of these respects.

Bishop Maurice Dingman, in his testimony on U.S. food policy before the committee on Agriculture, Nutrition and Forestry on behalf of the USCC and the National Catholic Rural Life Committee recommended three principal changes in PL 480. These are: (1) provision for a mandatory minimum quantity of concessional food aid under Title I, (2) greater and more effective use of PL 480 Title I sales proceeds to promote agricultural development in recipient countries, and (3) an increase in the quantity of Title II aid distributed by voluntary agencies. I propose to direct my testimony at this time mainly to a further elaboration of the views of the USCC on the first two of these recommendations, since the third was subsequently discussed before you at some length on March 4 by Bishop Edwin B. Broderick, Executive Director of Catholic Relief Services.

I would like to make clear at the outset of this testimony that, in general, the USCC believes the levels of food aid currently being provided by the United States and other donor countries are inadequate. While my subsequent remarks are predicated on continuing United States food aid levels in the range of six million tons per annum, we consider these quantities as no more than a second-best compromise dictated mainly by domestic political considerations. While six million tons is compatible with the international annual target of ten million tons recommended at the 1974 World Food Conference, the USCC

believes these limits can only be regarded as minimum targets given the present extent of world hunger and malnutrition and the acute balance of payments problems of many food-deficit countries.

We referred in this connection, in our February 24 testimony, to a USDA study¹ which concluded that 25 million tons of food aid per annum would be required to meet the minimum nutritional needs of the 400 million or so needy people in developing countries suffering from malnutrition. A more recent study by World Bank economists using more refined statistical techniques estimates the figure should be 38 million tons.² In any case, it is quite clear that substantially more than 10 million tons of food aid per annum is currently required to raise the diets of the poor in developing countries to nutritionally adequate levels.

VOLUNTARY AGENCY PROGRAMS UNDER TITLE II

Before presenting my comments on the Title I provisions of PL 480, I would like to briefly summarize for the record the three main points made by Bishop Bradrick in his testimony on the voluntary food aid program under Title II.

(1) Food aid distributed by voluntary agencies offers the best assurance the food will reach the neediest people at the bottom rung of the economic and social ladder. Such aid also helps finance useful community development projects through Food for Work programs.

(2) The mandated minimum tonnage provision contained in P.L. 94-161 should be retained to avoid the many uncertainties that, in recent years, seriously hampered the orderly programming of voluntary agency activities.

(3) Additional funding should be provided to the poorest developing countries which have serious difficulties in meeting the costs of food distribution programs such as inland transport.

MANDATORY TONNAGE COMMITMENT UNDER TITLE I

One of the most serious shortcomings of our existing food aid legislation is the uncertainty as to the amount of food aid it will provide from year to year. Despite the shift in emphasis in the legislation from surplus disposal to humanitarian and development objectives, food aid availabilities continue to be determined largely as a residual after domestic requirements, commercial exports and adequate carry-over stocks have been covered. This was clearly demonstrated, at great costs in human suffering, during the 1972-74 food crisis, when U.S. food aid shipments were cut drastically at a time of urgent need while commercial shipments soared to unprecedented levels.

Our recommendation for a mandatory minimum supply commitment under Title I seeks to avoid a repetition of the 1972-74 experience. Such a commitment has been provided in the case of Title II food aid by the International Development and Food Assistance Act of 1975 (PL 94-961). But this welcomed action goes only part of the way toward providing needed food aid security, since Title II normally accounts for only about 25% of the volume of all PL 480 shipments. Supply commitments also have been resorted to in the case of commercial sales, for example the U.S.-USSR grain agreement.

Present policy which largely determines the level of food aid on the basis of what is left over after the needs of the commercial market have been provided for is, in our judgement, at variance with the intent of Section 39 (b) of the foreign Assistance Act of 1973, which states it is the aim of Congress that domestic food production programs should take into account the expected need for humanitarian purposes. It also is inconsistent with the sense of Congress as expressed in H. Con. Res. 737 which states that "every person in the United States and the world has a right to food and a nutritionally adequate diet."

In our previous testimony we recommended a minimum Title I commitment of 4.5 million tons of food per annum. This, together with the 1.5 million tons proposed in S. 275 for Title II, would assure an annual level of U.S. food aid under PL 480 of at least 6 million tons.

Furthermore, we believe this 6 million tons should be guaranteed for the full five year extension period proposed in S. 275 for PL 480. At present three

¹ *The World Food situation and Prospects to 1985*, USDA Economic Research Service, Chapter 6.

² *Malnutrition and Poverty: Magnitude and Policy Options*, Published for the World Bank by the John's Hopkins University Press, 1971.

donors, Sweden, Canada and the EEC, have gone part of the way in this regard and agreed to three year indicative targets for their food aid programs. Firm commitments, however, would be preferable. Among other things, they would promote more effective planning and programming of food aid for both humanitarian feeding and economic development purposes. They would also help in the setting of farm production goals in donor countries which take into account food aid as well as commercial requirements.

We recommend that the U.S. take the lead to encourage all donors jointly to make firm commitments to supply a minimum of 10 million tons of food aid for the next five years. Such commitments could be covered by an international arrangement such as the food Aid Convention of the International Wheat Agreement. In 1975 the convention provided for minimum annual contributions of 4.2 million metric tons from all donors.

In calling for such a mandatory food aid commitment for the next five years, we do not mean to suggest that the problem will be solved within this period. We believe, on the basis of presently available information about the food outlook of needy developing countries, that the United States and other donor countries must be prepared to provide a minimum of 10 million tons of food aid per annum at least over the next decade.

AGRICULTURAL DEVELOPMENT

At the same time we recognize that food aid, other than for emergency purposes caused by bad weather or other calamities, should be considered largely as a transitional measure in dealing with the problem of world hunger and malnutrition. Over the longer term the solution of this problem requires a significant improvement in food production in deficit developing countries and reduced food dependence. Otherwise the food import needs of these countries are expected to rise to unmanageable levels.³

Neo-Malthusians interpret the recent food crisis as portending a new era of chronic food scarcity and imminent mass starvation in many developing regions. Most experts are more optimistic. While recognizing the situation is serious, they believe the potential exists for a large expansion of food production and a substantial measure of food independency in the food deficit poor countries.⁴ They argue persuasively that the world food problem is not a physical problem of inadequate natural and other necessary resources but rather a result of constraints "to be found in the social and political structures of nations and in the economic relations among them."⁵

They recognize that overcoming these constraints is likely to prove a slow and difficult process and will require a considerably greater concerted effort by both the developing and developed countries than at present. The developing countries will have to accord much higher priority in their development plans to the expansion of food production and promotion of rural development generally. Increased investment will be required for agricultural research and development, irrigation, flood control, fertilizer plants, transportation, storage, credit institutions, and so forth. In many developing countries land reform and other difficult social and institutional changes will be necessary. The mobilization of resources required to achieve a significant expansion of agricultural productivity and output is considered to be beyond the capacity of most of the poorer food deficit countries and will call for increased infusions of external capital and technology. Unless these necessary conditions are created in the course of the next decade or so, the neo-Malthusians could prove right in their predictions that massive starvation will confront large parts of the developing world.

Some important and promising developments have occurred in recent years, especially since the 1972-74 food crisis, which should contribute to solving the growing problem of food dependency in developing countries. Of particular significance is the emerging awareness in a number of developing countries that the solution to this problem lies in providing for a better balance between agriculture and industry in their development programs. As a result, their long-neglected agricultural sectors are now beginning to receive a new emphasis.

³ *Meeting Food Needs in the Developing World: The Location and Magnitude of the Task in the Next Decade*, Report No. 1, International Food Policy Research Institution, Washington, D.C., 1976.

⁴ *Scientific American*, "Food and Agriculture," Sept. 1975.

⁵ *Ibid.*

Agricultural policies are being modified to provide greater incentives to farmers to expand their output, and increased public as well as private investment is being directed to the expansion of food production and general rural development.

A parallel growing awareness among developed countries and multilateral agencies has resulted in a major increase in the flow of aid for agricultural development. According to the Organization for Economic Cooperation and Development (OECD), the Development Assistance Committee countries (DAC) and multilateral agencies doubled their aid to agriculture from \$2.1 billion to \$4.2 billion in the three-year period 1973-75. The share of total DAC and multilateral aid commitments to agriculture increased from 10 to 16 percent. Almost 80 percent of this increase came from multilateral agencies. If commitments by OPEC countries are included, total aid to agriculture, according to the OECD, reached almost \$5 billion in 1975. Additional external resources of about \$300 million per annum will be provided, presumably beginning this year, by the newly established International Fund for Agricultural Development.

Despite these substantial increases in aid flows for agricultural development, it is generally believed that more needs to be done. Data developed by the FAO for the World Food Conference estimated that external assistance to developing countries for agriculture amounting to \$5-\$6 billion per annum at 1972 prices,⁶ as compared with \$1.5 billion in 1972, would be required for the period 1975-80 if they were to achieve adequate levels of food production to meet their growing needs. Adjusting for subsequent inflation, these figures have been raised to between \$7.5 and \$8.7 billion in 1974 prices, or, at least 50 percent more than currently is being provided. Clearly, additional and more refined information is needed on the external resource requirements of the developing countries for agriculture. Estimates currently in preparation by the World Bank and the World Food Council hopefully will help meet this need and provide a better guide for donor policies.

The United States, in its bilateral economic aid programs has been generally responsive to the need for greater emphasis on agricultural and rural development in the poor developing countries. This has been accomplished, however, primarily by changing the focus of U.S. aid programs rather than by providing additional resources. On the contrary, total U.S. official aid in real terms has dropped approximately 50 percent over the past decade and, in our view, is woefully inadequate in terms of this country's capabilities and the needs of the developing countries.⁷

Although a major objective of PL 480 food aid, particularly Title I concessional sales, is the stimulation of agricultural production in recipient countries, the growing food deficits of developing countries do not suggest much success in this regard.

Although all Title I sales agreements since 1967, commit recipient countries to use local currency proceeds for self-help measures mainly to promote agricultural and rural development, such funds are frequently used for general budgetary or other purposes. The United States apparently does little monitoring of the programs to determine the extent of compliance. Instead, it depends primarily on reports prepared and submitted by the government of the recipient country. Moreover, the extent of the compliance is frequently difficult to evaluate since the measures proposed in the self-help agreements are quite general. This has led the General Accounting Office to conclude, on the basis of studies made in a number of Title I recipient countries, that "there was no clear indication of what self-help benefits were being derived from these programs."⁸

Perhaps more disturbing is the further conclusion of the General Accounting Office that in some large recipient countries, food aid has had an adverse impact on agricultural production by encouraging governments to pursue policies for political and other reasons which created serious disincentives for farmers. This should be less of a potential problem in the future than in the past, when PL 480 food shipments amounted to as much as 18 million tons per annum. Nonetheless, this is a possibility that can and should be guarded against in our future PL 480 sales programs.

⁶ *Assessment of the World Food Situation, Present and Future*, United Nations, World Food Conference, 1974.

⁷ *Development Co-operation*, Organization for Economic Co-operation and Development, 1976.

⁸ *Impact of U.S. Development and Food Aid in Selected Developing Countries*, Report of the Comptroller General of the United States April 22, 1976

The USCC believes Title I PL 480 sales can be made a considerably more certain and effective instrument for promoting agriculture and rural development in poor countries than at present. This, we believe, calls above all for more vigorous action on the part of the United States to see that needy Title I food deficit countries adopt internal policies and institutional reforms to remove existing barriers to the expansion of agricultural production. Despite the recent constructive changes in agricultural policies in some developing countries, additional reforms are urgently needed.⁹

Many of these reforms will require difficult political decisions. We believe PL 480 can be an instrument for encouraging more constructive action than is now the case. We would like to offer two possibilities which we believe merit consideration. First, in Bishop Dingman's testimony we proposed that all current dollar proceeds from Title I sales,¹⁰ now amounting to roughly \$350 million per annum, be recycled to the poorest developing countries to help finance mutually agreed upon agricultural development programs to reduce or eliminate their dependency on food aid. Priority should be given to programs to raise the productivity and output of the poorest farmers. This proposal would, in effect, put our food aid program on a grant basis like most other donor countries.

Such bilateral agreements to promote agricultural development should be for a period of at least three years to provide adequate incentives to recipient countries to carry out their obligations and at the same time assure the necessary continuity of food supplies and external financial resources required for effective planning and programming. They also should require and permit direct U.S. monitoring of the agreed programs and allow for their termination in the event of unsatisfactory performance by recipient countries.

This proposal goes considerably beyond the provisions of Section 106 of PL 480, which allows up to 15 percent of the total value of Title I sales in any fiscal year, or currently about \$135 million per annum, to be credited against food purchases if these funds are used to carry out programs of agricultural and rural development. The problem with Section 106 is that it offers Title I purchasers only limited incentives to assume the obligations it imposes on them, since the bulk of such purchases contain a large grant element of as much as 65-75 percent. The amount of additional resources Section 106 provides, over and above this grant element, is thus quite limited. This is probably why so little interest has been shown to date in Section 106 by Title I purchasers. Our proposal, by contrast, would provide for a much more substantial and immediate reflow of dollars for agricultural development.

As an element of our proposal, we believe consideration should be given to the possibility of phasing out of Title I food aid, perhaps over a period of three to five years, to needy food deficit countries unwilling to participate. In this event, food aid to these countries then would be limited to Title II programs. We recognize such a policy could impose serious hardships on needy people in countries with governments not prepared to deal responsibly with their pressing food problems and, therefore, will require the most careful assessment of its possible implications. One possibility for meeting this problem would be an expansion of Title II programs.

As a second alternative, the United States might contribute its annual Title I dollar repayments to some multilateral organization as the International Fund for Agricultural Development (IFAD), for a period of, say, five years, provided other IFAD donors also agree to make annual commitments proportionate to

⁹ The General Accounting Office, in its study, *Providing Economic Incentives to Farmers Increases Food Production in Developing Countries*, May, 1976, listed the following policies and institutions in developing countries as among the principal disincentives to production increases:

Pricing that favored urban consumers by holding food prices down and that discouraged farmers from adopting more expensive improved farming techniques.

Taxing, such as export taxes that discouraged production for export, that discriminated against the agriculture sector.

Monetary and trade policies that made food imports attractive but discriminated against food and agriculture exports.

Restrictions on moving food from surplus to deficit areas, discouraging farmers in the surplus areas from producing as much as they were capable of.

Credit policies and procedures that worked to the advantage of the large farmer but generally made lower cost credit unavailable to the small farmer, restricting his ability to buy fertilizer, improving seeds, irrigation, etc.

Extension services that concentrated on export crops rather than working with small farmers to increase production for domestic consumption.

Forms of land tenure that give the tiller of the land only a fraction of the benefits from increased production.

¹⁰ These consist of interest and principal installment payments and dollar reimbursements by U.S. agencies to the Commodity Credit Corporation to cover expenditures of local currency proceeds overseas.

their original contributions. This could provide additional funding for IFAD of about \$1.5 billion per annum for the next five years. Three advantages are apparent in this alternative. First, the United States' offer might provide effective leverage to stimulate other donor countries to provide needed increases in foreign aid for agricultural development in the poorest developing countries. Second, the United States would avoid some of the sensitive political problems which inevitably will arise in bilaterally pressuring developing countries to modify their internal economic policies. Third, greater coordination in the use of external aid for agricultural development would be promoted.

The USCC strongly believes that some such U.S. initiative as the foregoing, whether bilateral or multilateral, is essential if PL 480 is to be made a more effective vehicle for promoting a reasonable degree of food security in the poorer food deficit countries in the foreseeable future. We believe such an initiative, particularly if other donor countries follow our lead, could have an important impact well beyond increased agricultural productivity and output in developing countries. The result also could be an important stimulus to economic development in general in these countries where 70 percent or more of the population is dependent on agriculture for a livelihood. The stimulus, however, would be from the grassroots up and would more immediately and directly benefit the needy than the growth strategies, which have stressed industrialization on the assumption that the benefits gradually would trickle down to the masses. While the latter strategy achieved significant overall economic growth rates in a number of developing countries, it generally has brought limited, if any, benefits to the poor rural and urban members of their societies.

[Mailgram]

DENVER, COLO., March 29, 1977.

Senator ROBERT DOLE,
Dirksen Senate Office Building,
Washington D.C.

The USDA has a budget of at least one billion dollars for PL 480 Title One and Title Two food commodities. Beans are on the list of eligible commodities and are in surplus supply. This has been determined and reported to the CCC board, that over 50 million pounds of beans could be moved to foreign markets without disrupting domestic markets. Our farmer customers along with ourselves agree with these figures as long as they would be spaced out over the market year.

We understand that the record of our current hearings on new agricultural legislation by the House and Senate Committee on Agriculture will remain open until March 31, 1977. PL 480 is one of the matters under consideration.

We urgently request that you insert a statement in the hearing records requesting that edible beans be funded up to the amount considered available by the USDA and requested by foreign countries or relief agencies. We suggest the following: "edible beans are in oversupply throughout the Rocky Mountain Region, consequently, prices are below cost of production to the grower. Growers in this area do not want beans to be put under support. They favor the free market system and feel that year to year funding of PL 480 programs on a consistent basis would be far cheaper than a support program. Growers can produce the edible beans necessary to feed hungry people, but they cannot do so below cost.

"Growers and industry people do not feel that the US Government is taking advantage of this opportunity. Last year, PL 480 bean shipments totaled about 2.7 million dollars, mostly to Guatemala for earthquake relief. This year money for four thousand tons of PL 480 Title One shipments to Egypt has been appropriated, representing about 16 percent of the volume of beans which could be moved if funds were available.

"Beans are generally eaten throughout the world. They are easily and cheaply transported, they store very well and for long periods of time, and above all they are a highly nutritive food, exceeding 22 percent protein. They are high in fiber and one pound, when cooked, will yield about 3½ pounds of food."

We urge you to make a statement in the hearing record before March 31.

GARY L. KELLEY,
Rocky Mountain Bean Dealers Association.



