



Humanitarian Aid Needs

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Issue. International food aid needs are expected to grow in the 1990's. Emergency needs have increased as a result of natural disasters such as the drought in southern Africa and continuing civil war in Liberia, Bosnia, and Somalia. Global political and economic changes, such as the fall of the communist system, are increasing demands on food aid availabilities. The United States has changed its domestic agricultural policies and no longer has large food stocks. How can the United States provide food aid at a time of growing needs?

Context. The United States provides international food aid through Public Law 480 (first enacted in 1954), also known as the Food for Peace program. In addition, assistance is provided through two other food aid programs: Section 416(b) of the Agricultural Act of 1949 as amended and the Food for Progress program. Title I of P.L. 480 finances sales of agricultural commodities under long-term concessional credit arrangements to developing countries with insufficient foreign exchange. Title II grants food commodities for distribution overseas by private voluntary organizations (PVO's), by international organizations, and, in the case of emergencies, by recipient governments. Title III grants food assistance to support development programs in least developed countries through government-to-government agreements. The Section 416(b) program provides a mechanism for donating excess commodities owned by U.S. Department of Agriculture's (USDA) Commodity Credit Corporation to help meet urgent food needs in other countries. The Food for Progress program allows USDA to donate food to support countries that are trying to introduce or expand free enterprise in their agricultural economies.

The United States provided substantial P.L. 480 shipments to India in the mid-1960's, assistance to relieve the recurring famines in Ethiopia and Sudan in the mid-1980's, and shipments to alleviate the worst drought of the century affecting the southern African countries in the early 1990's (see table). In the past, the United States was able to help meet these needs mainly through the sale or donation of government-owned stocks of commodities (mostly wheat) that were in need (see figure). Current U.S. policy tries to establish more of a balance between supply and demand, resulting in lower government stocks.

At Stake. Since 1974, P.L. 480 food aid has accounted for 5 percent or less of the value of total U.S. agricultural exports. As a result, the effects of P.L. 480 on exports are relatively slight, although for some commodities, such as soybean oil, food aid shipments account for a large share of exports. The ultimate beneficiaries of U.S. food aid are recipients. Even so, P.L. 480 shipments tend to boost U.S. farm prices, enhancing income for U.S. producers and lowering government deficiency payments. Exporters, processors, and the PVO's who distribute the commodities also benefit. Shipments of commodities under the food aid programs also benefit the U.S. maritime fleet since cargo preference provisions require that 75 percent of U.S. concessional shipments be on U.S. flag vessels. U.S. taxpayers pay the cost of the commodities, their processing, and most of the transportation. U.S. consumers are not likely to be greatly affected because P.L. 480 accounts for such a small share of total use. Producers in the recipient country may suffer if food aid shipments depress internal farm prices, but food aid law requires program decisionmakers to avoid programming in which the assistance results in substantial disincentives to production or marketing in recipient countries.

Alternatives. Some alternatives to the present programs include:

- (1) Increase the food aid budget. This will maintain the volume of food aid provided when prices rise.
- (2) Create a food fund reserve. The United States already has the 4-million-ton Food Security Wheat Reserve for use in meeting emergency humanitarian needs in developing countries. The reserve has been used when domestic supplies limited P.L. 480 availabilities. An alternative would be to hold funds in reserve to meet emergency needs.
- (3) Change the mix of commodities to provide more bulk rather than processed commodities. This would enable the food aid budget to cover a larger volume of food by shifting the costs of processing to the recipient country. This would reduce U.S. employment in the processing sector, but raise it in the recipient country. It would also reduce the market development potential of food aid programming for value-added commodities, which are the most rapidly growing segment of U.S. agricultural exports.
- (4) Eliminate the provision of commodities and provide cash assistance instead. This would not necessarily benefit U.S. agriculture but would perhaps enable recipient countries to obtain the maximum volume of desired commodities from the closest and cheapest sources. It would require significant revision of existing food aid legislation. The United States may have difficulty ensuring that such cash assistance would be used as food aid.

Agenda. If the GATT negotiations include food aid, then conclusion of the Uruguay Round trade negotiations may require changes in U.S. food aid policy. Food aid is part of the farm legislation that is renewed every 5 years. Appropriations committees annually approve the P.L. 480 budget, which is included in the USDA annual budget submission from the President to Congress. Tentative country allocations are included in the annual budget submission; others are made during the fiscal year after requests are received.

Information Sources. National Research Council, "Food Aid Projections for the Decade of the 1990's," report of an ad hoc panel meeting held on October 6 and 7, 1988; U.S. Dept. of Agriculture, Economic Research Service, *Global Food Assessment*, Situation and Outlook Report, GFA-3, Nov. 1992.

U.S. food aid shipments by destination¹

Food aid shipments in Latin America and Europe increased; however, Asia and Africa still receive over 70 percent of total.

Region	1968-70	1978-80	1988-90
<i>Million dollars</i>			
Latin America	460	378	947
Europe	203	106	155
Asia	2,696	2,060	1,363
Africa	294	1,935	1,625

¹ Food aid includes PL 480 and Section 416(b); 1968-70 and 1978-80 also include shipments under the Commodity Import Program managed by the Agency for International Development.

U.S. wheat stocks

U.S. wheat stocks in the 1990's are likely to be much lower than in the 1980's.

