Food imports by developing countries have climbed significantly during the past decade. For some countries this growth is the result of higher incomes and improved standards of living. But for many others, where food production has not kept pace with population growth, increased food imports have been necessary simply to keep people at existing levels of consumption.

For those countries not able to pay for increased commercial food imports, food aid has been made available to meet their growing needs. About 20 percent of the food imported by the poorest developing countries is provided on noncommercial terms in the form of food aid.

The need for developing countries to receive assistance in meeting their domestic food requirements was recognized perhaps most dramatically during the World Food Conference in November 1974.

Delegates from 130 member countries of the United Nations gathered in Rome to adopt a global strategy to overcome world hunger and malnutrition. As part of that strategy, the delegates adopted a resolution which established a goal of 10 million metric tons of grain to be made available annually to developing countries in the form of food aid.

Ten million metric tons continues to serve as a goal for the international community and in 1980 was adopted as a target for annual food assistance pledges to the Food Aid Convention (FAC).

The FAC, an international agreement first implemented in 1968, is designed to encourage sharing food aid responsibilities among as many donor governments as possible. It presently has 21 contributors pledging 7.6 million metric tons of annual assistance. These pledges, which are fulfilled through either grain or cash donations to finance grain imports, serve as minimum targets and are frequently exceeded, although the 10 million metric ton target itself has not been met.

Types of Food Aid

Food aid has several forms, but generally is provided as a donation requiring no repayment, or is sold through a loan with very generous repayment terms. It may be on a bilateral basis with one government offering assistance to another or through international agencies.

The most obvious and probably best known use of food aid is to provide relief to victims of natural disasters and other emergency situations—floods, earthquakes, drought, or political conflicts—to alleviate hunger and malnutrition.

In non-emergency situations food assistance is distributed through feeding programs targeted toward twenty-one countries now contribute food aid to improve child nutrition and fill other needs.
In many countries food-for-work projects provide employment and income for people with special nutritional needs—small children and pregnant or nursing mothers. It also is used in school feeding programs that encourage attendance and promote learning ability, similar to the U.S. school lunch program. These direct feeding programs are often combined with educational programs to increase the impact of food aid in improving health and nutritional conditions.

Besides programs where direct feeding is the primary objective, food aid is used to transfer resources to further a country’s economic and agricultural development. For example, after a country receives food aid, it can be resold in the local market rather than distributed directly. The government can then invest money from the local sales in projects designed to improve agricultural production, health and sanitation services, or educational programs. This investment in physical and human capital contributes to long-term economic development.

Food-for-Work
Food assistance is also used to support food-for-work projects. Here, food is exchanged for labor on public works projects, such as constructing roads, building schools or clinics, and
digging irrigation ditches.

Food-for-work projects provide employment and income (the participants' real incomes increase because they spend less for food), while contributing to a country's basic infrastructure.

Food aid can also be used to support a country's balance of payments. Many developing countries don't earn enough foreign currency (U.S. dollars, English pounds, etc.) from their exports to buy imports such as food, machinery, and oil. Food assistance, because it is provided as a grant or purchased through a loan offering favorable repayment terms, allows a country to save scarce foreign exchange to be used for imports other than food.

Applying this foreign exchange to import fertilizer or farm machinery can contribute to better agricultural production.

Uses of food aid have recently become intertwined with questions of how to achieve food security; that is, what measures a country can take to stabilize its domestic food supplies and prices. Many developing countries face periodic production shortfalls due to poor weather or political unrest, as well as limited foreign exchange. Food aid can be used to build and maintain stocks of grain to be released in times of domestic production shortfall or high world cereal prices.

Potential Drawbacks

While offering substantial benefits, food aid can have negative results if provided under the wrong conditions or terms. To reduce the chance of this occurring, food aid has been substantially modified since its start to ensure greater sensitivity to national conditions.

The most widely recognized drawback is that food aid may serve as a disincentive to food crop production.

This may occur in one of two ways. First, food assistance sold commercially on the local market may depress prices received by local farmers and discourage them from increasing their own production. Whether this will actually occur depends upon several related factors.

If the aid is only a small part of the total domestic food supply, the chance of it significantly dampening prices is considerably reduced. Also if the food program is designed to generate
additional employment, it can simultaneously increase income and the demand for food which will in turn offset any price depressing impact.

A second disincentive occurs if governments rely on food aid to the extent that they neglect to devote sufficient resources, and avoid making policy or institutional changes, needed for developing their own farm production.

To counter this, food aid programs have increasingly been linked to supporting agricultural development through such requirements as "self help measures," provisions requiring countries to undertake specified development projects or policy changes.

Besides the disincentive effect, it has also been argued that food aid can create long-term dependency on food imports, either commercial or concessional, when a goal of greater food self-reliance would be more appropriate. Likewise it has been argued that governments can become dependent on the budget support gained from selling food assistance on the local market.

A number of factors determines whether or not such dependencies arise, but particularly the policies and objectives of the recipient countries. Since the number of former food aid recipients continues to grow, long term dependency would not appear to be a widespread result of food aid.

**U.S. Food Aid**
The United States traditionally has been the largest contributor of food aid in recent years. Besides, food aid has been a substantial portion of total U.S. help to developing countries—as much as 30 percent of all U.S. assistance.

Public Law 480 (P.L. 480) or the Food for Peace program is the primary means by which the U.S. Government provides food aid to other countries. Enacted in 1954, P.L. 480 has four legislative objectives: provide humanitarian assistance; expand international trade and develop markets for U.S. agricultural commodities; support economic development within developing countries; and promote the foreign policy of the United States.

Food commodities supplied under
Food aid allows developing countries to use foreign exchange to import fertilizer or farm machinery to improve agricultural production.

PL. 480 also contribute to meeting the annual U.S. pledge to the Food Aid Convention of 4.47 million metric tons of wheat or other food grains.

Since the start of PL. 480 programs, 290 million metric tons of commodities valued at $32 billion have been exported. Major commodities include wheat and wheat products, corn and corn products, sorghum, rice, nonfat dry milk, and soybean oil.

Although the volume of PL. 480 exports relative to all U.S. agricultural exports has declined in recent years, PL. 480 exports retain a considerable share of total exports for some commodities. During fiscal year 1979, PL. 480 exports, as a percentage of all U.S. exports, were: wheat, 10 percent; wheat flour, 67 percent; rice, 18 percent; and soybean oil, 14 percent.

Three Programs
PL. 480 authorizes three programs by which the United States can provide food aid.
In recent years, food donations have gone to 80 countries in Africa, Asia, and Latin America.

Under Title I, the U.S. Government provides loans to developing countries on concessional terms—low interest rates and long repayment terms—for purchasing U.S. agricultural commodities. Food supplied under Title I has been the largest component of P.L. 480 and has been used to meet all four legislative objectives in varying degrees.

The Title I program serves as an important mechanism to develop export markets for U.S. agricultural commodities. Although in some cases food aid can substitute for commercial exports, it is generally thought to contribute to larger commercial sales in the future, because of its contribution to economic growth and higher incomes in recipient countries. Moreover, because developing countries are expected to be among the largest growth markets for U.S. agricultural exports, Title I will retain its importance as a market development tool.

Among the countries which have "graduated" from Title I concessional sales to commercial status are Japan, Spain, Taiwan, Brazil, and most recently, Korea.

Since 1966, the Title I program has also increasingly emphasized its role of contributing to economic and agricultural development in recipient countries. The program supports de-
development in recipient countries by providing balance of payments relief, and by raising local currency when the recipient government sells the commodities on the local market. These funds are used for self-help development projects specified in each Title I agreement.

Forgiveness Factor

In 1977, Congress authorized a new "Food for Development" Title III program. Title III programs are similar to those of Title I, but provide for forgiveness of the original loan if the country uses the local currencies for programs in nutrition, health services, and population planning.

The Title III programs are multiyear—between three and five years—and targeted toward the poorest of the developing countries. Agreements thus far have been signed with the governments of Bangladesh, Bolivia, Egypt, Honduras, Senegal, and Sudan.

The other program authorized by P.L. 480, Title II, provides food donations to meet famine or other urgent relief needs, combat malnutrition, and promote economic and community development. Donations are made through U.S. private voluntary agencies such as CARE and Catholic Relief Services, through the World Food Program of the United Nations, and through government-to-government agreements.

A major priority for Title II donations is to help meet nutritional needs of vulnerable groups. Generally, programs emphasize mother-child health activities, but also include school feeding and food-for-work projects.

In recent years, annual food donations through Title II have gone to about 80 countries in Africa, Asia, and Latin America. Among the largest recipients have been India, Bangladesh, Egypt, and the Philippines.

Recent large-scale food shortages due to drought and refugee-related disasters have also resulted in unusually large requests for emergency food assistance, primarily in Somalia, Kampuchea, and Pakistan.

To complement its food aid programs, the United States now has a 4 million ton wheat reserve established in January 1981. The reserve was created to ensure that wheat would be available for use under the P.L. 480 program to meet urgent humanitarian food needs in developing countries, even if our domestic supplies are tight.

Up to 300,000 tons of the reserve may be used for unexpected emergency situations, when Congress cannot quickly appropriate additional money for P.L. 480. The reserve will help ensure that the United States can meet its annual pledge to the Food Aid Convention.

Other Aid Programs

Although the United States was the first country to formally legislate a food aid program and remains the largest single donor, contributions of other countries and international organizations have become increasingly important. The major international programs are the World Food Program (WFP) and the International Emergency Food Reserve.

The WFP, a joint program sponsored by the General Assembly and the Food and Agriculture Organization (FAO) of the United Nations, has operated since 1963. WFP is directed
by the Committee on Food Aid Policies and Programs, created after the 1974 World Food Conference to provide an international forum for consultation, discussion, and coordination of food aid.

Countries donate either commodities or cash to purchase commodities which WFP then distributes to developing countries for use in school lunch programs, mother-child feeding clinics, food-for-work projects, and other feeding programs. WFP also supplies food during emergencies.

The United States donates food aid to WFP under Title II. During the 1979-1980 biennium the U.S. contribution was $220 million, 30 percent of the actual commitments.

In recent years, a rising share of WFP's resources have been used to meet emergency situations, particularly needs of refugees and displaced persons. The International Emergency Food Reserve (IEFR) was created in 1976 to help respond to these emergencies and to allow WFP to continue uninterrupted its long-term development projects.

IEFR is administered by WFP and has established a reserve target of 500,000 tons. Contributions by individual countries are voluntary. The United States provided 125,000 tons in both 1978 and 1979, but during 1980 contributions reached 172,000 tons valued at $72.5 million.

Food aid from other donors, particularly the European Community (EC) and Japan, have increased recently, reflecting surpluses generated by their domestic agricultural policies. The EC is the second largest donor, contributing primarily wheat and dairy products. Contributions in-clude bilateral aid from individual countries and multilateral contributions funded by the EC Commission.

Japanese food aid consists of rice, Japan's major domestic grain, which is either donated or sold on concessional terms. Canada and Australia provide primarily wheat as food aid. Donations are made both bilaterally and through WFP.

Finland, Norway, Sweden, and Switzerland also regularly donate food aid to developing countries. Although each country's contribution is small, relative to agricultural production it often is greater than that of the major donors.

What of The Future?
During the past three decades, commercial agricultural trade increased substantially, while concessional food assistance declined. In light of this situation, what is the future for food assistance in times when surpluses are not available?

The United States provides an example of the conflicts involved. Competing claims on U.S. food supplies began to emerge in the early 1970's as large agricultural exports reduced food supplies available for domestic use and contributed to higher food prices. At the same time, as the price of oil began to skyrocket, commercial agricultural exports became increasingly important to the U.S. balance of payments.

These developments contributed to rises in the real cost of food aid. But developing countries' needs for aid also continued to increase as many were financially unable to meet their food requirements through commercial imports.

During such periods when the
Commitments and shipments of food aid in cereals, July-June

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<td>57</td>
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<tr>
<td>Others</td>
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<td>62</td>
<td>116</td>
<td>104</td>
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<td><strong>65.8%</strong></td>
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Source: *Food Outlook*, Food and Agriculture Organization (FAO), June 23, 1981.

1 Commitments or allocations.
2 European Community. Includes member states.
3 Includes supplemental appropriation of $142 million approved July 1980.

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World food supply-demand balance is tight, many countries—including the United States—are faced with tradeoffs among: 1) satisfying consumers at home, 2) meeting food needs in developing countries, and 3) fulfilling commercial export demand.

Commercial food trade will continue as the primary means of meeting world food needs, but countries have also pledged themselves, evidenced by the Food Aid Convention, to meet needs of developing countries through food aid.

Food aid can't solve the world's food problems. But it will stay a vital element in meeting shortrun, emergency food needs, and—where properly administered—in assisting the recipient country's economic and agricultural development.

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