THE IMPLICATIONS OF RECENT AMENDMENTS TO THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

by

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ABSTRACT

The Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) has undergone many changes since its passage. Most of the revisions have come during the past three years as the majority of congressmen began to realize that the program was not temporary in nature.

Through these basic changes the Senators and Representatives have attempted to alter the philosophy of sales and donations under Public Law 480. Gone is the requirement that goods be labeled 'surplus' before being made available for shipment overseas. In its place Congress has included stipulations which recipient nations must adhere to before signing an agreement for U.S. agricultural commodities.

A second major revision is the gradual phasing out of local currency sales. It will be some time before the results of this action can be analyzed properly, but the administrators of our foreign aid program feel that this regulation will aid the less developed countries in planning their economic development program as well as easing the U.S. balance of payments problem.

It is difficult to foresee what will happen to P.L. 480 shipments in the future. It is possible that the added

concern for the welfare of the participating countries expressed by the congressmen will diminish if these countries continue to increase their own production at the expense of our concessional sales. If this is the case, the P.L. 480 program or similar policy instruments will again be principally concerned with alleviation of the U.S. surpluses of the agricultural commodities.

CHAPTER I

INTRODUCTION

Since the inception of the Agricultural Trade Development and Assistance Act of 1954, commonly known as Public Law 480, it has been the recipient of large amounts of both praise and condemnation. The varying philosophies of the members of Congress and of the special interest groups concerned with this law have often placed them at opposite ends of the political and the economic spectra. Domestic and foreign economists concerned with the role and impact of this type of legislation have also expressed widely varying opinions.

When P.L. 480 was first enacted in 1954, the majority of those involved in formulating the legislation agreed that it was to be only a temporary stopgap measure aimed at disposal of the large farm surpluses then accumulating. Over the years, however, the philosophy of the law gradually shifted away from pure surplus disposal. Certain members of Congress and many farm interest groups began to regard P.L. 480 as an integral part of the overall farm program as well as an extension of our foreign aid arm.

A large number of persons concerned with surplus agricultural commodities believed that excess farm production and excess productive capacity could be remedied simply by selling more goods abroad through a concessionary sales program. This, however, has not proved to be the situation. Professor Earl O. Heady of Iowa State University has commented, "In the next decade, based on reliable projections of domestic demand for food and optimistic estimates of export possibilities, the supply or surplus capacity of U.S. agriculture will be as large or larger than currently (Heady, 1969, p. 18)."

Many senators and representatives also began to rationalize more food aid as a worthy substitution for more dollar aid in the U.S. foreign aid program. These two factors are not considered equivalent by most economists or by the recipient countries involved. Professor Theodore A. Schultz, in the Journal of Farm Economics, stated,

> If these underdeveloped countries had had a choice of receiving from the United States either dollars or farm products of equivalent value at world prices, they would with few exceptions have preferred to have the dollars because the dollars would have been worth more to them in achieving economic growth or in serving other purposes that they ranked high among their national goals (Schultz, 1960, p. 1023).

It can be seen from these statements that P.L. 480 has affected the thinking of groups at both the production and marketing terminals of the agricultural pipeline.

There is little doubt that P.L. 480 has had profound implications on both domestic and foreign programs, but the two groups have often been operating in contradiction to each other. Willard W. Cochrane, in his Presidential Address to the American Farm Economic Association, recognized this problem and offered a tentative solution. He suggested that the only plausible method for solving the problem was a comprehensive program which included many aspects of both the foreign disposal and domestic farm proposals. ". . . advancing technology in American agriculture is forcing, first, the acceptance of foreign surplus disposal, and second, the acceptance of comprehensive supply control. And the logical result must be the integration of--the marriage of--these seemingly opposing lines of action into a unified policy (Cochrane, 1959, p. 885)."

Objectives of Study

The principal objective of this study is to examine the uses of food aid, focusing primarily on the actions taken since the 1966 amendments which for the first time placed major emphasis on self-help as a prerequisite for the recipient countries.

Another objective of this study will be to clarify some of the problems that have been encountered since the 1966 revision of Title I of P.L. 480. Since the passage of the Act in 1954, the bulk of the commodities shipped abroad has been for local currencies under Title I. This has permitted countries with a serious balance of payments problem and a deficiency of hard currency to buy American food and fiber with their own currencies. With passage of the revised P.L. 480 in 1966, the United States embarked on a new system of concessionary sales. Title IV, which had been concerned with long-term dollar credit sales, was incorporated into Title I with the specific purpose of shifting all sales to dollars by the end of 1971. It is planned that under this new method the large reserves of local currencies the United States holds in many countries can be reduced, and future sales under these terms will be limited to the amount that the United States can immediately use to meet expenses incurred within a particular country. Doubts have been raised by many in reference to the ability of the recipient nations to maintain their present levels of purchases under this new type of programming. For this study special emphasis will be placed on examining the situation in India and Pakistan.

An analysis of this type would not be complete without reference to the domestic scene. Many of the interest groups that appeared before the Congressional committees were quite unanimous in their support of P.L. 480. The few exceptions, however, are interesting and provide a valuable insight into the sentiments of different segments of the population. This area of research presented in the thesis, combined with the varying opinions of the members of Congress, aids in determining the underlying current which has prevailed as P.L. 480 and the amendments were considered. For example, the American Farm Bureau Federation had quite a different viewpoint from that of the National Farmers Union. During the 1966 Senate Hearings, George Doup, representing the Farm Bureau, stated, "We have felt that P.L. 480 should be temporary and that measures should be taken both at home and abroad to reduce the need for a program of this type (Com. of Agric. and For., 1966, p. 149)."

Later on in his testimony he gave the Farm Bureau's version of the government's role in the agricultural sector of the economy.

> The dumping of CCC (Commodity Credit Corporation) stocks in order to hold down the market prices to farmers is part and parcel of the compensatory payment approach. Stocks are dumped to force compliance with the government programs and also to prevent increases in consumer prices . . . . It also accustoms consumers to artificially low market prices to the detriment of all farmers (Com. of Agric. and For., 1966, p. 153).

Another objective of this thesis is to demonstrate the effect that P.L. 480 has had on farmers and their production in both domestic and foreign agricultural sectors. If the self-help provisions of the 1966 amendments are effective in aiding the less developed countries to achieve internal sufficiency in such crops as wheat, this can have distinct repercussions on the production of this grain in the United States.

Finally, there is one general point of interest which will be covered. This is the problem of program administration. Congressional leaders have often said they do not believe the objectives and intent of the law are being carried out by the administrators of the programs. Chairman Ellender, during committee hearings to hear the testimony of Secretary of State Dean Rusk, commented on this possibility as follows:

> Well, I want to be perfectly frank with you in saying that our reason for doing this or suggesting that it be put in (retaining the right of Congressional review of sales) is that many of these programs have not been administered in accord with what Congress thought. It is my belief that since this affects agriculture, in particular, the committees of the Senate and the House should have a say in seeing that the intent of Congress is carried out (Com. of Agric. and For., 1966, p. 237).

Method of Analysis

In accomplishing an analysis of this type it is imperative to use a significant amount of data and statistics. Tables will be used to demonstrate inter-temporal changes and changes in emphasis between different titles of the law. The publications of the various agencies within the United States Department of Agriculture concerning the annual operations of P.L. 480 are the chief sources of this type of information. Such an analysis facilitates the study of the effects of the 1966 and 1968 amendments. Furthermore, it enables the researcher to construct a foundation for further studies regarding possible future changes in the movement of agricultural commodities under P.L. 480.

Publications of the Food and Agriculture Organization of the United Nations and various nongovernmental groups also provide sources of empirical information. Combination and comparison of the various sources of data often reveal interesting trends and indicate areas of investigation that would not otherwise be visible.

The birth and growth of the Agricultural Trade Development and Assistance Act of 1954 came out of the committees of the House and Senate. The House Committee on Agriculture and the Senate Committee on Agriculture and Forestry have held many hours of hearings on P.L. 480 before and since its adoption. The members of the two committees have appraised and reappraised the operation of the different titles with respect to domestic agricultural policy and U.S. foreign policy. Many of the changes in attitude by these congressmen during the past 15 years are evident in the amendments to P.L. 480.

Because of this influence, it is imperative that a study of this type delve deeply into the legislative hearings and into the testimony given in these documents. Also, where feasible it is relevant to compare the two legislative subsystems to note the differences of action which are demonstrated throughout the hearings on the extension of P.L. 480.

In analyzing the Hearings, one not only acquires an understanding of the committee and its members, but also of the groups which present testimony. Data are often included in these presentations which are more specific in relation to certain commodities or specific areas of interest. This testimony, in addition to statements made outside of the Hearings, is an integral part of the total picture.

Another phase in this analysis consists of studying the viewpoint of the Executive Branch. The President has a large amount of discretionary power in determining the actual operations of P.L. 480. He also has certain responsibilities which have been delegated to him by Congress. For example, Section 408 of P.L. 480 as amended states, "The President shall make a report to Congress . . . with respect to the activities carried out under this Act during the preceding calendar year (P.L. 480, amdt. 1966, p. 17)."

Secretary of Agriculture Orville L. Freeman and Secretary of State Dean Rusk were the principal witnesses to present and attempt to defend the viewpoint of the Johnson Administration. Their testimony not only defined what the administration wanted to have included in the new law, but also described the accomplishments of P.L. 480 during the past few years.

Observations on the Research Method

Data, when properly used, can be a valuable aid in research. Good tables and graphs set the stage for the body of the research paper. The explanatory power of data is often greater and more easily understood than a verbose discussion. One must use care, however, in selecting proper data and in presenting this type of research. Endless rows of numbers can cause more confusion than clarification.

Data taken from various sources can often be combined and manipulated to introduce unique methods of observing certain situations. Care must be used, however, to insure accuracy in this type of compilation. The collection of data by the various agencies must be under similar circumstances if it is to be of value. A 1965 United Nations table showing wheat production in India, for example, cannot be divided by 1960 acreage figures to determine production per acre.

In addition to the data, which are collected principally from U.S. Government publications, many other sources of information are to be used. Books and pamphlets from private sources as well as other types of government publications have been sought after and included in the research materials. It is important to remember certain basic premises when studying the private publications or the hearings of Congress: (1) the relevance of the information or testimony to the central theme, (2) the past history and the political and private connections of the author or witness, and (3) the influence wielded by the person or group under study. These three criteria must be strictly adhered to if the analysis is to be lucid and free of bias, a feat which is in itself difficult when it pertains to economic and social questions affecting the agricultural sector.

For a discussion of the future uses and possibilities of P.L. 480, some conclusions must be drawn. At all times, however, these conclusions will be based as much as possible on the past actions taken under the law and the statements and predictions of persons considered experts in their respective fields.

CHAPTER II

THE HISTORY OF PUBLIC LAW 480

During the latter years of the nineteenth century, agricultural exports made up approximately 80 percent of the annual exports shipped from the United States. From then until the onset of World War II, the exports of agricultural commodities declined in relation to nonagricultural exports. During this period and up to the present, however, the absolute value of total farm exports generally continued to increase except for a temporary drop during the war. The initiation of the Marshall Plan and the debilitated condition of agriculture in other countries were principal reasons for the quick recovery of U.S. exports after the war.

As the 1950's approached, the agricultural sectors of many other nations had largely recovered. Once again the United States found it difficult to avoid accumulating a domestic surplus. The technological capacity of this country to produce agricultural commodities outstripped the commercial demand for these products domestically and abroad. Farm programs which were designed to control production on America's farms succeeded only in limiting the number of acres planted. The amounts harvested from the smaller acreage were greater than before because farmers applied the growing technology to increase the yields per acre. As the Eisenhower administration and many members of Congress began to grow uneasy about the future implications, the search for a solution was initiated.

One part of the Mutual Security Act of 1953 was devoted to this problem. This section of the bill authorized the President to enter into agreements with countries classified as friendly with the United States. It permitted sales of surplus agricultural products for foreign currencies, with special provisions governing the use of these funds included in the law.

In the same year another Act, Public Law 216, was passed. This law was designed to provide emergency food supplies to countries suffering from famine or other types of disaster. The serious food shortage caused by drought in the Middle East and India was the principal force behind the passage of this Act.

The new direction of these two pieces of legislation and the seemingly insurmountable surplus that was accruing in the United States laid the foundation for the comprehensive study and subsequent enactment of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480).

History of Public Law 480

Public Law 480 has had a series of complex growth stages since the law was passed in 1954. Eleanor N. DeBlois, International Economist of the Foreign Development and Trade

Division, Economic Research Service, reported: ". . . progress has been made in transforming this program from a temporary measure primarily of surplus removal to a major tool in the worldwide struggle for freedom from hunger and an effective instrument to stimulate economic development and to support U.S. trade and foreign policy goals (DeBlois, 1967, p. 1)."

It took essentially 12 years for the major evolution in attitudes toward P.L. 480 to take place. The changes made in the law prior to 1966 were generally of minor significance, with the exception of Title IV in 1961. Most of the amendments were simple modifications which changed only slightly the actual operation of the law. Title IV, however, enabled recipient countries to sign agreements for long term credit purchases, repayable in dollars. This addition was one of the first indications that Congress considered P.L. 480 as something other than a temporary disposal measure.

There has been much conjecture as to the origin of the P.L. 480 idea. During the years prior to 1954 various methods of surplus disposal had been hypothesized. It was Senator Humphrey, however, that consolidated and refined the various limited ideas into a broad program which covered many different types of action. "Senator Humphrey outlined a multifaceted program which included donations, sales at world market prices, sales at concessional prices, long-term loans, sales for native (sic.) currencies and trade of commodity stockpile materials (Crouch, 1963, pp. 16, 17)."

Due in large part to Senator Humphrey's persuasive testimony, the Senate Committee on Agriculture and Forestry formed a subcommittee to study the recommendations and to draft a bill. The result was S. 2475, a bill designed to initiate new methods of foreign disposal for United States agricultural commodities which were considered by the Secretary of Agriculture to exist in surplus amounts.

On July 24, 1953, Senator Schoeppel introduced the bill on the Senate floor. Because of adjournment, however, the House failed to act until the second session of the 83rd Congress. After passage by both branches of Congress, the bill was signed into law on July 10, 1954, by President Eisenhower. The statement made by the President at that time did not coincide with the belief that P.L. 480 was to be only a temporary action. He stated that the new law would: ". . . lay the basis for a permanent expansion of our exports of agricultural products, with lasting benefits to ourselves and peoples in other lands (Toma, 1967, p. 41)." A more careful study of the Executive viewpoint, however, reveals that the President did indeed consider P.L. 480 to be a temporary measure.

The original P.L. 480 stated as its purpose: "An Act to increase the consumption of United States agricultural commodities in foreign countries, to improve the foreign relations of the United States, and for other purposes (P.L. 480, 1954, p. 1)." This statement of purpose has remained unchanged.

Following this statement of purpose is an explanation of the bill which details the basic reasoning behind the law:

> It is hereby declared to be the policy of Congress to expand international trade among the United States and friendly nations, to facilitate the convertibility of currency, to promote the economic stability of American agriculture and the national welfare, to make maximum efficient use of surplus agricultural commodities in furtherance of the foreign policy of the United States, and to stimulate and facilitate the expansion of foreign trade in agricultural commodities produced in the United States by providing a means whereby surplus agricultural commodities in excess of the usual marketings of such commodities may be sold through private trade channels, and foreign currencies accepted in payment therefor. It is further the policy to use foreign currencies which accrue to the United States under this Act to expand international trade, to encourage economic development, to purchase strategic collective strength, and to foster in other ways the foreign policy of the United States (P.L. 480, 1954, p. 1).

There have been major changes in this paragraph which give a valuable insight into the changing attitudes of congressmen and administrators. These changes will be discussed in detail in Chapter Three.

Title I - Sales for Foreign Currency

The original Trade Development and Assistance Act contained three separate provisions for sale or trade of surplus agricultural commodities. Title I specified the provision of selling surplus U.S. production for foreign currency. Authorization was given to the President to negotiate agreements with countries considered friendly with the United States. Repayment of purchases of surplus agricultural goods would be made by depositing the agreed upon amount of currency in banks in the recipient country. There were certain regulations adopted which governed the use of these foreign currencies:

(a) To help develop new markets for U.S. agricultural commodities on a mutual benefiting basis;

(b) To purchase or contract to purchase strategic and critical materials . . . for a supplemental U.S. stockpile of such materials . . .;

(c) To procure military equipment, materials, facilities, and services for the common defense;

(d) For financing the purchase of goods or services for other friendly countries;

(e) For promoting balanced economic development and trade among nations;

(f) To pay United States obligations abroad;

(g) For loans to promote multilateral trade and economic development . . . ;

(h) For the financing of international educational exchange activities (P.L. 480, 1954, p. 3).

From July 1, 1954, through December 31, 1966, the major share of foreign currencies was used for loans to foreign nations. Approximately 50 percent of all local currencies were used for this purpose. Ranking second in importance were U.S. purchases and obligations, which constituted almost 24 percent of the funds received through Title I of P.L. 480 (Food Aid Program, 1966, p. 90). These payments are used to cover embassy expenses, salaries, support of personnel, and construction of facilities in the countries where currencies occur through Title I sales.

Title I has been the major avenue by which commodity shipments are made. Thereby, approximately 65 percent of the value of agricultural commodities shipped during the past fifteen years was authorized (Food Aid Program, 1966, p. 65). A look at the gross financing costs of the entire P.L. 480 program shows that about 70 percent of these administrative costs were for Title I. A comparison between the two percentages demonstrates that administration of Title I sales is more costly per unit of commodity shipped than the other Titles of the Act.

During the 12 years before the revision of Title I, the U.S. had entered into agreements with 52 countries for a total of $11.3 billion in foreign currencies. Of this amount the U.S. had collected about $10.2 billion and had spent $7.5 billion for the various purposes mentioned earlier (Food Aid Program, 1966, p. 21). A balance of $2.7 billion remained in U.S. accounts in many countries around the world. This amount prompted Congress in 1966 to revise the conditions of local currency sales.

The original Title I had several provisions which were designed to govern the types of agreements that could be signed between the U.S. and other nations. Further policy statements were included to regulate the conditions of operation for domestic compliance in the agreements. Section 101 of Title I states that the President shall:

> (a) take reasonable precautions to safeguard usual marketing of the United States and to assure that sales under this Act will not unduly disrupt world prices of agricultural commodities;
>
> (b) take appropriate steps to assure that private trade channels are used to the maximum extent practicable both with respect to sales from privately owned stocks and from stocks owned by the Commodity Credit Corporation;
>
> (c) give special consideration to utilizing the authority and funds provided by this Act in order to develop and expand continuous market demand abroad for agricultural commodities, with appropriate emphasis on underdeveloped and new market areas;
>
> (d) seek and secure commitments from participating countries that will prevent resale or transshipment to other countries, or use for other than domestic purposes, of surplus agricultural commodities purchased under this Act, without specific approval of the President; and
>
> (e) afford any friendly nation the maximum opportunity to purchase surplus agricultural commodities from the United States, taking into consideration the opportunities to achieve the declared policy of this Act and to make effective use of the foreign currencies received to carry out the purposes of this Act (P.L. 480, 1954, p. 1).

The number of commodities which have contributed the largest quantities to Title I sales has been small. Wheat and flour have been by far the largest contributors, making up about 57 percent of the total for the twelve-year period from 1954 to 1966. Ranking second for the same time period was cotton. It comprised approximately 14 percent of the total sales under Title I of P.L. 480. Fats and oils also contributed a significant share by making up 10 percent of the agreements under this Title (Food Aid Program, 1966, p. 70).

Though there were 52 participating nations, India has been the major recipient of aid since the beginning of the program. It has far outstripped other recipient countries in total aid as can be seen in Table 1. Per capita aid to India of $7.45, however, has been among the lowest of any of the countries that have had Title I agreements, while Israel received $139 per capita during the first 12 years of the program.

Title II - Famine Relief and Other Assistance

The second title was designed to provide famine relief for countries experiencing a severe shortage of food. Section 201 of Title II states:

> In order to enable the President to furnish emergency assistance on behalf of the people of the United States to friendly peoples in meeting famine or other urgent relief requirements, the Commodity Credit Corporation shall make available to the President out of its stocks such surplus agricultural commodities f.o.b. vessels in United States ports, as he may request, for transfer (1) to any nation friendly to the United States in order to meet famine or other urgent relief requirements of such nation, and (2) to friendly but needy populations without regard to the friendliness of their government (P.L. 480, 1954, p. 4).

TABLE 1. Principal Recipient Countries of Sales Under P.L. 480 Title I Between July 1, 1954, and December 31, 1966

Country	Market Value In Millions of Dollars	% of Total Title I Sales	Wheat and Flour as % of Total Title I Sales	Per Capita Sales to Recipient Countries
India	$3,238.5	30.7	74.4	$ 7.45
Pakistan	1,017.0	9.7	64.5	10.83
Egypt	758.6	7.2	73.2	29.08
Yugoslavia	572.7	5.4	69.2	30.89
Korea	507.3	4.8	40.0	23.57
Poland	498.7	4.7	50.2	16.77
Brazil	476.0	4.5	96.4	6.71
Totals	$7,068.8	67.0%	---	---

Sources: THE FOOD AID PROGRAM 1966 ANNUAL REPORT OF PUBLIC LAW 480, TABLE 6, pages 68, 69. Population figures used in calculation of per capita figures were taken from the United Nations Statistical Yearbook 1962. The population figures were for 1960, however.

This section permits the U.S. to send aid in the case of droughts as India experienced in 1965 and 1966. Other natual disasters including floods and earthquakes are also covered under this Title.

Between July 1, 1954, and December 31, 1966, the estimated total of commodities shipped under Title II was approximately $962 million as based on the estimated market value of the commodities.

It should be noted that the Title II agreements are much more evenly divided than the agreements signed under Title I. In addition, the percentage of food grains to total agricultural commodities shipped is slightly higher under Title II than under Title I. As Table 2 shows, the exception to this rule is Italy. This nation received large amounts of dried milk and milk products instead of the food grains.

A 1960 amendment permitted Title II commodities to be used for economic development purposes. This changed the purpose of the Title from strictly emergency relief to a long run planning measure for the use of agricultural commodities in economic development. This amendment was a forerunner to the major self-help legislation enacted in 1966, and the principal reason for the large amount of Title II goods which have been shipped to Tunisia, Korea, Morocco, and Afghanistan. A significant part of the wages paid to persons employed by the governments of these countries is in

TABLE 2. Principal Recipient Countries of Agricultural Commodities Under P.L. 480 Title II Agreements, July 1, 1954, to December 31, 1966

Country	Total Mkt. Value Thousands of Dollars	% of Total Title II Agreements[a]	Bread Grains as a % of Total in Each Country
Tunisia	$147,380	9.7	86.1
Korea	108,992	7.1	79.0
Morocco	107,614	7.1	89.3
UNRWA[b]	99,236	6.5	92.8
Afghanistan	92,582	6.1	96.5
Pakistan	90,462	5.9	65.6
Italy	89,909	5.9	36.4
Totals	$736,175	48.3	---

Source: Data compiled and calculated from THE FOOD AID PROGRAM 1966, ANNUAL REPORT OF PUBLIC LAW 480, TABLE 23, pages 102, 103.

[a]Does not include food aid donated through United Nations World Food Program.

[b]United Nations Relief and Works Agency for the relief of Palestinian refugees.

the form of Title II food donations. Many public works projects would not have been completed without this type of aid.

Title III - General Provisions

Title III of Public Law 480 has two separate sections concerning the shipment of commodities. Section 302 amended the 1949 Agricultural Act to allow U.S. donations of agricultural commodities to be handled by relief agencies and international organizations. The original P.L. 480, Title III states:

> . . . the Commodity Credit Corporation is authorized . . . : (1) upon application, to make such commodities available to any Federal agency for use in making payments for commodities not produced in the United States; . . . (3) in the case of food commodities to donate such commodities to the Bureau of Indian Affairs and to such State, Federal, or private agency . . . , for use in the United States in nonprofit school lunch programs, in the assistance of needy persons, and in charitable institutions, . . . ; (4) to donate any such food commodities . . . for use in the assistance of needy persons outside of the United States (P.L. 480, 1954, p. 5).

The second type of commodity disposal under this Title is in the form of barter transactions. This is now generally considered to be a misnomer. Before 1963, barter was used to acquire foreign materials which were considered strategic for American defenses. Since that time the agricultural commodities have been used primarily in exchange of regular goods and services for U.S. agencies operating overseas. These agencies then reimburse the Commodity Credit Corporation in dollars for the commodities used. The barter operations, therefore, have been used principally as an aid in alleviating the chronic balance-of-payments problem by using U.S. agricultural commodities for overseas payments rather than having dollars go abroad.

The major share of the agricultural commodities sent under the barter provisions of Title III has been to nations known for their healthy economies. After some study, many commercial interests and also persons involved in the shipment of commodities under this Title began to realize that commercial sales were being harmed by these transactions. Further analysis demonstrated that the procurement of strategic materials in this manner was often more expensive than straight commercial purchases. One study reported: "If strategic materials are desired, they can be purchased more cheaply for dollars. There seems to be little merit in accumulating unneeded minerals in exchange for unneeded farm products. In fact, at one stage the proposal for the new Agency for International Development included language to permit the redisposal abroad of commodities in the Supplemental Stockpile (Menzie, et al., 1962, p. 46, 47)." Due to this problem, the program was modified to redirect the emphasis toward the weaker economies. This move resulted in a large reduction in the number of barter agreements signed prior to 1963, but initiated an increase in commercial sales to the more prosperous countries.

As mentioned earlier, after 1963 the barter provisions were altered to allow the United States to use the Title for procurement of materials and services for use by the agencies abroad. The result of this alteration has been a fairly steady increase in the amounts spent for this purpose.

Title IV - Long Term Supply Contracts

Title IV of P.L. 480 was first approved on September 21, 1959, but the first use of this provision was not until August of 1961. The purpose of this Title, as stated in the Act, was to:

> . . . utilize surplus agricultural commodities and the products thereof produced in the United States to assist the economic development of friendly nations by providing long-term credit for purchases of surplus agricultural commodities for domestic consumption during periods of economic development so that the resources and manpower of such nations may be utilized more effectively for industrial and other domestic economic development without jeopardizing meanwhile adequate supplies of agricultural commodities for domestic use (P.L. 480, amdt, 1959, p. 12).

The agreements signed with other nations called for a delivery period of not more than ten years, and the recipient countries had a period of twenty years to make payment in dollars. It was hoped that this Title would aid underdeveloped areas in planning long run development programs. The countries would then be able to count on a certain amount of food each year, thereby freeing a part of the limited capital for other developmental projects.

From July 1, 1961, through December 31, 1966, agreements totaling $783.1 million were signed. Yugoslavia was by far the largest recipient of agricultural commodities, with agreements comprising 36.2 percent of the total Title IV sales. Brazil and Taiwan were a distant second and third respectively (Food Aid Program, 1966, pp. 78, 79). It should be noticed that, generally, the countries with relatively stronger economies have been the principal recipients of Title IV shipments.

In 1966 Congress made major changes in P.L. 480 by incorporating Title IV into Title I. A more complete discussion of the uses and significance of this former Title will be found in Chapter Three.

International Reaction to Public Law 480 Prior to 1966

There are basically two groups of countries which are of interest when one attempts to determine the international reaction to P.L. 480. There are those nations which have viable economies and are in competition with the United States for foreign markets. Secondly, are those which are recipients of concessional sales and donations through P.L. 480. There has been a much greater variance of opinion within the latter group than within the former.

The first group has been largely in agreement about the effect of P.L. 480 concessional sales on their own commercial markets. An interregional publication written by The University of Arizona in conjunction with Michigan State University states:

> Competing export nations such as Canada, New Zealand, and Denmark have charged that P.L. 480 constitutes a three-way subsidy. First, U.S. farm products are sold at less than domestic prices, thus making U.S. export prices a function of government policy and not world demand and supply interrelations. Second, countries short of dollars can purchase with their local currency. They are more willing to purchase if little foreign exchange is required. Third, the local currency received is partially returned to the country as a grant, partially spent for U.S. obligations, and partially loaned back to local government agencies. Competing countries view this as a further price cutting device. They insist that their treasuries are not rich enough to underwrite this type of foreign aid (Menzie, et al., 1962, p. 77).

The competing countries insist that P.L. 480 programs have indeed cut into their regular commercial sales despite the actions of the U.S. to protect the normal marketings of these nations. Because of the unhappiness with the program by competing nations, the U.S. has attempted to modify the program in some respects. It has tightened the restrictions on local currency sales so that many countries with stronger currencies have been eliminated. A consultation procedure has also been devised enabling the U.S. to discuss possible sales with the nations already exporting to the proposed recipient. These changes have had a dampening effect on the amount of criticism received by the U.S. in the past few years.

Another problem which has appeared and which will be discussed more fully in Chapter Four is the general increase in production throughout the world. Very briefly, it appears that many countries such as those of India and Pakistan are approaching the position of self-sufficiency in wheat production. This can result in a substantial decrease in the export markets for both commercial and concessionary sales. As the new wheat and rice varieties and the accompanying technology spreads to cover a greater acreage, the possibility of an even greater actual surplus or surplus productive capacity in the U.S. appears inevitable.

It is much more difficult to find a general consensus as to the effects of P.L. 480 on the recipient countries. Domestic and foreign economists disagree among themselves and with each other on many of the major issues. Many feel that the importation of P.L. 480 goods by underdeveloped countries can have a detrimental effect on their agricultural sectors. This has certainly been true in the areas where large quantities of Title I wheat, for example, have been dumped on the market with little or no regard for its effect on internal production or prices. However, in countries such as India where the surplus goods were tied to the Indian development plan, the repercussions were lessened substantially. S. R. Sen of the Indian Planning Commission has expressed the opinion that the concessional sales have aided in keeping Indian wheat prices at a fairly stable level without discouraging internal production (Sen, 1960, p. 1034). This appears to have been the case if one looks at the increases in wheat production and the prices received for this crop for the past two years. The Indian government instituted a price support program which bolstered internal wheat prices and kept P.L. 480 shipments from interfering in the normal marketing channels.

Title II shipments earmarked for economic development purposes, despite the numerous limitations to be discussed in Chapter Four, have been quite useful. Food for work projects have aided in construction and rehabilitation of many roads, irrigation projects, and schools. This type of program attempts to utilize unemployed and underemployed labor and have partial payments-in-kind with donated U.S. agricultural products. Many projects which would normally have required a fairly large capital outlay have been constructed very inexpensively by this method. Another obvious benefit of this type of program is to the persons employed. They receive meaningful employment and the opportunity to raise their level of food consumption and their general living standards.

In general, it seems that the P.L. 480 shipments have substantially aided the less developed countries. Some areas which did not properly protect the domestic producers or did not carefully regulate the release of imported goods into the economy experienced internal price depressions for the commodity, but these problems have been largely solved in most areas.

The recipient countries receive an added benefit from P.L. 480 commodities. The governments which have signed agreements for concessionary sales and donations have provided themselves with a greater list of prerogatives for developmental policy. A study conducted in Turkey by the Turkish Universities stated the following:

> It should be recognized that the existence of the P.L. 480 program provided greater flexibility to the government planners in working toward the desirable long-range objectives of economic development. Specifically, in the case of agriculture, the availability of grain and oilseed imports on concessional terms during periods of short-term scarcities or long-term deficiencies was of considerable benefit in alleviating the need for pushing uneconomic self-sufficiency objectives and permitting greater flexibility in the devel-opment of farming systems and production patterns that maximize the country's agricultural resource potential. (Aktan, 1965, pp. 180, 182).

Developing nations which are largely dependent on nature for proper growing conditions have found that P.L. 480 does allow greater flexibility. As noted in the Turkish study, a scarcity in a certain commodity could be alleviated by purchasing that commodity on a concessional basis. This allows the country to continue with the regular development plan rather than investing large sums of money in production which will not be economically feasible in the long run.

There have been many mistakes made in the administration of P.L. 480 during the past 15 years. Considering all domestic and foreign facets of P.L. 480, however, the general consensus of the law is definitely favorable. One must remember that this was a new program with very few experiences available to use as guidelines. The amendments added to the Act and the changes that have taken place in the year to year operations prove that time is still a valuable tutor.

CHAPTER III

A REVIEW OF THE 1966 AND 1968 AMENDMENTS TO PUBLIC LAW 480

The past three years have produced several major innovations in Public Law 480. As shown in Chapter Two, the years prior to 1966 produced only minor variations to the Act, with the exception of Title IV, which was added in 1959. Title IV was a large step forward in realizing that long-term planning was necessary if the less developed countries (LDC's) were to use P.L. 480 commodities effectively. It was also the backbone of many changes that occurred in 1966 and 1968.

This chapter will study in detail the amendments passed in 1966 and 1968 and will attempt to determine the effects of these new provisions on the overall operation of P.L. 480. This study will provide a stepping stone to a more complete analysis of how P.L. 480 fits into the general domestic and foreign programs of the present and future.

Public Law 89-808 (1966)

Public Law 808 was enacted on November 11, 1966, and served two basic purposes. First it extended the existing P.L. 480 through December 31, 1968, a period of two years. Secondly, P.L. 808 added major amendments to the original legislation which changed both the domestic and foreign operations of the program. It is the latter purpose that this chapter will discuss in some detail.

There were three major changes in P.L. 480, which has also been called Food for Freedom or Food for Peace: (1) a requirement of self-help by recipient countries; (2) elimination of the requirement that commodities shipped under P.L. 480 be labeled as 'surplus' before being made available; (3) the requirement instituted by Congress that a transition of sales from local currencies to long term credit sales for dollars be completed by December 31, 1971.

These amendments can have far reaching cultural and economic effects on the operation of P.L. 480, and also on the development plans and procedures of the recipient nations. They will no longer be able to purchase large quantities of United States agricultural commodities solely for consumption purposes without regard to what the country is doing to enable it to feed its own people sometime in the future. The underdeveloped areas must begin to plan the growth and development of the various sectors of the economy if they wish to continue receiving goods and be in a position to pay for them in dollars at a later date. If they do not wish to accept these conditions, those nations will presumably then have to do without P.L. 480 agricultural commodities. Acceptance of certain stipulations, however, and their enactment, can be two completely different stories.

Self-Help Requirement

The amendment to P.L. 480 which established self-help as a basic requirement for concessional sales and donations attempted to move the program toward a more meaningful foundation for future growth of the less developed countries of the world. In Section 109 (a) specific provisions were listed which Congress felt were basic areas of need for self-help requirements. In establishing these specific areas, it was not the intent of the congressmen that the recipient countries undertake programs in all the areas, but that they use the list as a guideline for establishing priorities for allocation of the local currencies. Included in the recommendations are:

> (1) devoting land resources to the production of needed food rather than to the production of nonfood crops--especially nonfood crops in world surplus;
>
> (2) development of the agricultural chemical, farm machinery and equipment, transportation and other necessary industries through private enterprise;
>
> (3) training and instructing farmers in agricultural methods and techniques;
>
> (4) constructing adequate storage facilities;
>
> (5) improving marketing and distribution systems;
>
> (6) creating a favorable environment for private enterprise and investment, both domestic and foreign, and utilizing available technical know-how;
>
> (7) establishing and maintaining government policies to insure adequate incentives to producers;
>
> (8) establishing and expanding institutions for adaptive agricultural research;

(9) allocating for these purposes sufficient national budgetary and foreign exchange resources (including those supplied by bilateral, multilateral and consortium aid programs) and local currency resources (resulting from loans or grants to recipient governments of the proceeds of local currency sales);

(10) carrying out voluntary programs to control population growth[1] (P.L. 480, amdt. 1968, p. 3).

Before an agreement is signed, officials from the U.S. meet with representatives of the country requesting P.L. 480 commodities. Together they draw up a program which defines the areas most in need of funds and technical assistance under the self-help provisions. The country agrees to undertake certain programs as a prerequisite to receiving agricultural commodities from the U.S. After the agreement is signed, the President of the United States is authorized to review the program periodically. If the country is not developing its part of the agreement satisfactorily, the President is empowered to terminate U.S. participation.

Many critics had branded P.L. 480 as a give-away program that had reached grandiose proportions. During the first years after the enactment of the law there possibly was justification for this accusation. There is little doubt that the principal purpose of the Act was to solve an immediate problem of the U.S., and not the long-range problems in recipient countries. As the law slowly evolved from pure

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[1]This provision was included in the 1968 amendments to Public Law 480. Not less than five percent of local currencies are made available to countries requesting assistance in this area.

surplus disposal to an extension of our foreign aid policy, Congress and the Executive Branch decided that countries receiving P.L. 480 agricultural commodities should demonstrate their desire to assume a greater share of the food burden for their own countrymen. This came during a time of shortage in many of the principal receiving nations. India was experiencing a drought in 1965 and 1966, and it appeared that this country would again be very short of food in 1967. The fear that the Doctrine of Malthus would come true was expressed by many learned and influential people. Secretary Freeman decided that the U.S. would have to greatly increase wheat production to enable our country to fulfill its obligation and to feed the hungry people abroad. Fortunately for India, the dire predictions did not come true. The production in India, due to favorable monsoons, the new high yield varieties, fertilizers, and other necessary inputs, was significantly increased in 1967. The country still imported a large amount of wheat and flour. The imports, however, were used to build up their stockpiles and feed their people until the 1967 harvest. By 1968 the picture had changed substantially as can be seen on Table 3.

The improved harvests of 1967 and 1968 reduced the need for concessionary purchases of P.L. 480 wheat and flour by India. Total shipments in 1968 amounted to only 36.5 percent of the total sent to India in 1967. To state that the change has been anything less than dramatic would be an

TABLE 3. Title I Sales and Title II Donations of Wheat and Flour to India, 1965 Through 1968

Titles	1965 (1,000 bushels)	1966 (1,000 bushels)	1967 (1,000 bushels)	1968 (1,000 bushels)
Title I	126,170	196,990	228,726	84,510
Title II	---	331	3,820	467
Totals	126,170	197,321	232,546	84,977

Sources: Food for Peace, 1965 Annual Report on Public Law 480, The Food Aid Program 1966, Annual Report on Public Law 480, Food for Freedom, New Emphasis on Self-Help, 1967 Annual Report on Public Law 480, Food for Peace, 1968 Annual Report on Public Law 480.

understatement. The production of wheat in India increased 45.5 percent between 1967 and 1968. The increase in Pakistan was no less dramatic. In that country the increment was 47.4 percent for the same period (Food & Agricultural Organization, December 1968, p. 20).

As mentioned earlier, a part of this tremendous increase was due to improved weather conditions in the countries that had been afflicted with drought during the previous two or three years. This was not, however, the total story. The new wheat and rice varieties had to be disseminated among the farmers; and even more important, the proper cultivation techniques and the use of fertilizer had to be taught to the producers participating in the program. The self-help provisions of P.L. 480 have acted as a lever for the U.S. Agency for International Development in encouraging India to develop the needed infrastructure to insure proper support of the expanding use of the new varieties.

The Indian Government also greatly expanded the appropriations to the agricultural sector, due in part to the urgings of the U.S. Another principal factor, however, was the new political and economic climate that was emerging in India. The self-help provisions were introduced to the Indian Government at a time when they were much more receptive to a large intensive program of agricultural development. Previously they had attempted to concentrate on industrial development at the expense of agriculture. Little success was achieved, thereby forcing a major shift in priorities by the Indian planners to include agriculture as one of the principal areas for development. Domestic production and the importation of fertilizer was greatly expanded to meet the ever-increasing demand. The Agency of International Development loaned significant sums of money to India for purchases of fertilizers abroad, and a large share of the local currency loans from P.L. 480 funds to private enterprise, often called Cooley loans, were for construction of fertilizer plants within the country.

Pakistan also put new emphasis on growth and increased yields in the agricultural sector. The self-help agreements signed in 1967 and 1968 which called for an improvement in the quality of agricultural research, extension, education, and increases in financial allocations to the agricultural community, helped Pakistan develop a more comprehensive package program to aid agricultural growth and development. In addition, the agreement called for greater amounts of credit for farmers and a method of providing incentive prices to producers of wheat, rice, and corn (Food for Peace, 1968, pp. 51, 55).

Criticism and concern about the self-help requirement has come from many quarters. The recipient countries have sometimes resented the attachment of conditions to concessional sales and donations received from the U.S. Many of these nations have complained that the U.S. exerts pressure in developing a list of priorities. The principle of sovereignty is held sacred by the less developed areas, and they want the right to set their own priorities. This has led to problems since the participating countries have often had difficulties in agreeing with the U.S. representatives on the selection of projects. Also, decisions are often based on political considerations in the receiving country more than on economic considerations.

Many authorities in the U.S. and, surprisingly enough, in the less developed countries, have felt that constraints of this type were long overdue. Often, because of political instability or unfavorable political leadership in the less developed areas, persons involved in the administration of the programs hope for controls by the U.S. because they are unable to institute the needed provisions themselves. Domestically, many members of Congress have expressed the opinion that U.S. aid has been poured into these countries with very little effect. Chairman Ellender, in the 1966 Senate Hearings for the Food for Freedom Programs states: "Well, I long contended that we should have attached strings to our foreign aid program, . . . , but that hasn't been done and, of course, it is now too late (Com. on Agric. and For., 1966, p. 155).

Even though Senator Ellender seemed to think it was too late to change, the self-help provisions added to P.L. 480 demonstrate that the Senate and House Agricultural

Committees were willing to make an attempt at attaching more stringent conditions. They also wanted to demonstrate as clearly as possible that the recipient countries were not just doing us a favor by taking the U.S. agricultural surpluses off our hands. By insisting that the nations accept certain conditions before signing a P.L. 480 agreement, U.S. officials feel much better use will be made of the commodities shipped abroad. To facilitate the acceptance of the self-help provisions, Congress included a statement in the 1966 amendments which requires the U.S. to make available to the governments not less than 20 percent of the foreign currencies generated from Title I sales in each less developed country (P.L. 480 amdt., 1966, p. 12). This can take the form of low interest loans or direct grants to the recipient nations.

With only two years of experience having been recorded, it is still somewhat premature to judge the effectiveness of the self-help requirements. Some observations, however, can be made. Brazil, for example, has increased its allocation of Federal funds to the agricultural sector by 60 percent between 1966 and 1968 (Food for Peace, 1968, p. 46). This represents a substantial increase and demonstrates the change in thinking of the Brazilian Government. Much of this increase has been allocated to the agricultural credit program and to the improvement of a minimum price and stabilization program for the principal agricultural commodities.

The governments of the less developed countries must take the initiative in developing the agricultural sectors. It will not happen by itself even if the market for the commodities by some miracle suddenly became available. Because the large majority of these farmers are at the subsistence level, they do not participate in the market regardless of the prices. It is up to the government to provide the services, information and needed technology to lift the producer above the subsistence level so that he can become a part of the commercial economy.

In Brazil, it is not a case of a lack of natural resources. The technology and proper production techniques are also available on the larger units, but they have not filtered down to the smaller farmers basically because of the lack of capital and knowledge. The Brazilian Government injected the increased sums of money into the agricultural sector in an attempt to disseminate new technology and management practices. The increased availability of credit along with proper supervision can act as the catalyst to raise the small producers above the subsistence level. A principal problem, however, is the development of proper supervision for the loans.

India has also made great strides in the increase of internal production. There was more than a seven million acre increase in plantings with the new wheat varieties between 1966/67 and 1967/68 (Food for Freedom, 1967, p. 37).

This has put severe strains on fertilizer supplies, but through increased internal manufacture and imports, India has managed to almost keep pace with the growing demand.

It would be presumptuous to assume that the self-help requirements of P.L. 480 were the only factors which initiated these large steps forward. There is reason to believe, however, that the requirements have applied some pressure to recipient countries signing P.L. 480 agreements, and they have given U.S. officials more room for action in aiding the nations in arranging and planning their development programs. The order and selection of priorities has been reevaluated and is now based more on economic and social factors rather than the whims of politicians.

Elimination of Surplus Requirement

The 1966 amendments also redefined the method for determining which agricultural commodities would be available for sales and donations through P.L. 480. The word 'surplus' was deleted from the original P.L. 480 legislation, and in its place was inserted the concept of availability. The Secretary of Agriculture has the responsibility, under this amendment, to determine which commodities are available and in what quantities. The only restrictions as stated in Section 401 of the legislation are:

> No commodity shall be available for disposition under the Act if such disposition would reduce the domestic supply of such commodity below that needed to meet domestic requirements, adequate carryover,

> and anticipated exports for dollars as determined by the Secretary of Agriculture at the time of exportation of such commodity (P.L. 480, Amdt. 1968, p. 16).

This amendment now allows the production of agricultural commodities in the U.S. to fill the requirements generated from P.L. 480 agreements signed with less developed nations. In other words, the demand for goods through concessional sales and donations must now be considered as part of the total demand for U.S. agricultural goods. The restrictions of the Food and Agricultural Act of 1965 concerning the diversion and conservation of farmland, however, are still in effect as they were prior to the passage of the 1966 amendments to P.L. 480 (U.S. Department of Agriculture, 1966, p. 4).

This point caused a great deal of consternation among the members of the Agricultural Committees of Congress. Many felt that the 1965 legislation was one of the better agricultural laws that had been enacted. They expressed the feat that the proposed changes in P.L. 480 would disrupt or nullify many of the provisions included in that law, and the U.S. farm program would revert to the position it had been in prior to 1965. Chairman Ellender was very adamant in voicing his opposition to any new laws which would revise the 1965 Agricultural Act. In the 1966 Senate Hearings on P.L. 480 in response to testimony given by Ken Kendrick, Executive Vice President, National Association of Wheat Growers, Chairman Ellender stated:

> This is a new program which, if put into effect, in my opinion, is going to be very disturbing to the wheat growers and to the corn growers who, I believe, now have on the staute (sic.) books a very good law, and if the 1965 act is administered as Congress intends it, you would be out of the woods, so to speak, within the next four years.
>
> But you put this new thing on the statute books and grow more and you will be in the same fix you were a few years ago. (Com. of Agric. and For., 1966, pp. 115, 116).

It took a great deal of persuasion to convince the Senator that the deletion of the surplus requirement would not open the gates for a new flood of production, providing the 1965 Agricultural Act remained intact. There were certain interest groups that believed the new concept of availability should allow large increases in domestic production to cover expected needs under an expanded P.L. 480 program. Reverend James L. Vizzard, Director of the National Catholic Rural Life Conference, was one of many who proposed some type of production increase. In testimony before the Senate Committee, he stated: ". . . we urge carefully planned restoration of production on the millions of acres in the U.S. now lying idle . . . . Only those acres should now be restored which can produce needed products such as wheat, rice, and soybeans (Com. of Agric. and For., 1966, p. 279)."

It is understandable that Father Vizzard would take this humanitarian viewpoint, but the specific crops he mentions are among those that have been most troublesome. Attempts to balance wheat production with total demand have been frustrated for several years. It was, in fact, this frustration that played a principal role in the original enactment of P.L. 480.

Another amendment to P.L. 480 concerned the nutritional needs of countries receiving U.S. agricultural commodities. This addition is tied closely to the previous amendment discussed in that foods of high nutritional value can now be sold under concessional terms without the necessity of being labeled surplus. As Secretary Freeman said: ". . . the commodity 'mix' sent abroad under concessional programs will be geared to the kind needed rather than circumscribed by the kinds held in stocks. We can expect the trend to be in the direction of commodities with special nutritive values (Com. of Agric. and For., 1966, p. 37).

In addition to the expanded list of commodities sent abroad, the revised version of P.L. 480 authorizes nutritional fortification of the regular agricultural commodities sold or donated under P.L. 480 agreements. Enriched wheat flour and certain fishery products are examples of this new aspect of the program. The cost of such enrichment and fortification is borne by the Commodity Credit Corporation.

Transition from Local Currencies to Dollars

The 1966 amendments to P.L. 480 incorporated Title IV of the law into Title I. The purpose of this action was to put greater emphasis on long-term credit sales with final payment being made in dollars. Congress felt quite strongly about this matter and included in the law a specific time limit. By December 31, 1971, all concessionary sales are to be made in dollar credit terms. There is an exception to this provision which allows the sale of commodities for local currencies in those countries where there is an immediate use for that particular currency. This exception allows administrators of the program some freedom in adjusting the ratio of local currency sales to dollar credit sales according to the needs and ability to pay off each nation.

There are two basic methods that would allow a nation to gradually shift their Title I purchases from local currency to dollars. First of all, the country can make a direct transition from local currencies to long-term dollar credits with a 20-year period to pay the debt. In addition, a second method is to begin making some of the P.L. 480 payments in 'convertible' local currency. This method allows a country that does not now have and will not have in the near future sufficient foreign exchange to make payments in dollars within the 20-year limit. The term 'convertible' signifies that the local currency used to pay the debt initially is guaranteed by the central bank of the country in question to be exchangeable for dollars. Under this system, the nation has 40 years to pay for the Title I purchases with a 10-year grace period. If, during the prescribed time period, the U.S. spends a part of the local currencies within the participating country, this reduces their dollar obligation by a similar amount.

Currently, the transition from local currency to dollar sales is proceeding much as anticipated by the program administrators. In 1966, before the enactment of the amendments, Title IV made up 22.38 percent of the total of the two Titles. After the adoption of the revised concessional sales, the dollar credit arrangement constituted a little over 24 percent of total Title I sales, a very small increase from the year before. By 1968, a significant change had occurred, however. Long-term dollar credits and convertible local currency sales generated 63.45 percent of the total concessional sales under P.L. 480. If this trend is continued, the 1971 goal of conversion to credit sales should be reached.

There are, however, possible outside influences which have not been considered. In looking at the 1968 figures, one notices that total sales are significantly lower in comparison to 1967. In 1968, total Title I sale agreements amounted to $740 million at market value, much less than the $1,222 million of 1967 (Food for Peace, 1968, p. 21). India received over 50 percent of the local currency sales in 1967, while in 1968 it signed agreements which amounted to only 23 percent of total Title I concessional sales. This large reduction was definitely an important factor in the great increase of long-term credit sale percentages.

Pakistan is another example of this type of change. Total P.L. 480 shipments of wheat and flour in 1967 under Title I were four and one-half times larger than in 1968. The much larger shipments in 1967 were paid for in local currency which would be another factor in the large percentage increase of long-term dollar credits between the two years.

The large increase in the internal production of these two nations was the reason for the large reduction in signed agreements. It is too early to know if this trend will continue, or whether the large gains in agriculture was a short-lived growth due to very favorable climatic factors and new technology coming together at the same time. The planners in India and Pakistan believe the increase in sustainable and self-sufficiency in the production of wheat and rice is possible during the first half of the next decade. If this comes true, the U.S. should have no problem completing the conversion to dollar sales by the end of 1971. Whether this is a blessing, however, is a highly debatable question and will be analyzed closely in Chapter Four.

The size of agreements signed during 1968 decreased notably from the year before. Twenty-five countries signed a total of 45 Title I agreements during that year, compared with only 39 agreements signed with 22 countries in 1967.

The value of all commodities programmed under Title I in 1968, however, was approximately $482 million less than in 1967. This demonstrates a decreasing reliance on P.L. 480 agricultural commodities as many countries increase their own production in the same crops offered by the U.S. concessional sales program. Again, it is too early to see whether this tendency will continue in the coming years. If it does, the U.S. could very easily be faced again with a large agricultural surplus problem. Much will depend, of course, on general farm policy legislation in this country.

Revision of Title II and Title III

The revision of Title II and Title III had very little effect on the actual operation of P.L. 480 programs. It simply incorporated all of the donation and relief programs, along with the food for work and child feeding programs into one title. This simplified the administrative and accounting procedures for both Titles by putting like operations together. The revised Title II has authorizations for donations in time of famine or emergency, child feeding, promotion of economic and community development, and the assistance of needy people (Food for Freedom, 1967, p. 26).

Title III is now strictly concerned with barter operations. The primary objective of the barter program is to help improve the U.S. balance-of-payments position by financing overseas requirements with agricultural exports in place of cash. Under the authority of Title III, private firms in the U.S. receive agricultural commodities from the

Commodity Credit Corporation. In exchange for these goods, the companies finance the procurement of needed materials and services in approved countries for us by U.S. agencies located overseas.

Public Law 90-436 (1968)-- Population Control Provision

The addition of a provision in 1968 concerning the control of population in countries receiving P.L. 480 goods expanded the potential uses of foreign currencies received under Title I. As stated in Section 104(h) of the Act: "Not less than 5 per centum of the total sales proceeds received each year shall, if requested by the foreign country, be used for voluntary programs to control population growth (P.L. 480, Amdt., 1968, p. 8)."

There was little debate over the need for such an amendment. A major confrontation resulted, however, concerning the voluntary aspects of the new program. Senator Yarborough of Texas offered an amendment which made it mandatory for countries to have some type of population control program before they would be eligible to receive P.L. 480 agricultural commodities. This version was rejected in favor of an amendment offered before the Senate Committee on Agriculture and Forestry by Senator Tydings of Maryland, which stressed a more voluntary approach.

Senator Ellender, Chairman of the Committee, appeared to be more in favor of the obligatory method, but in this instance the will of the Chairman did not prevail. It was the feeling of some people that an obligatory population control program would be an invasion of the sovereignty of the participating nations. Also, it would put the U.S. in the position of dictating cultural and religious practices to these countries. Chairman Ellender, however, stated: "They do not have to take our dollars if they do not want it (Com. of Agric. and For., 1966, p. 247)."

It would appear that there is a growing sentiment for stricter regulations concerning population control problems in the countries receiving P.L. 480 commodities. Many people will be closely analyzing the degree of implementation of the present law in an attempt to judge its effectiveness. If the conclusion is negative, the pressure will continue to increase for the addition of an obligatory requirement.

Summary

Former Secretary of Agriculture, Orville L. Freeman, at one time stated:

> Geography, economic and social conditions, land, labor, and capital are all important, but by themselves they do not determine a nation's growth, either in agriculture or in general economic development. It is the responses and adaptations to these conditions--the policies and programs followed--that determine progress (Freeman, 1968, p. 41).

It would appear that the changes made in P.L. 480 in the past three years are moving it in a direction to aid in confronting the problem as it is seen by Freeman. The self-help provisions are placing greater emphasis on the policies and programs needed in the recipient countries to increase their internal production. The present P.L. 480 programs place much more importance on the research and implementation of revised marketing policies, effective price support programs, proper agricultural practices for the new varieties, and dissemination of the various aspects of agriculture to the farming community. The present P.L. 480 program has evolved from a program concerned largely with disposal of U.S. agricultural commodities which was principally in the interest of the U.S., to a program which is more concerned with the effect these commodities have on the internal economies of the recipient countries. More careful planning programs are now followed to find the best uses for the commodities and also for any funds that may be generated through the concessional sales. Whether this trend will be able to continue in the face of the increased overseas production is somewhat debatable, but it is a question which can not be answered with any assurance for some years to come.

CHAPTER IV

THE IMPLICATIONS AND CONSEQUENCES OF THE AMENDMENTS OF 1966 AND 1968

There are two basic views that should be analyzed concerning the Agricultural Trade Development and Assistance Act. First, one must look carefully at the effect P.L. 480 has had or will have on the economic development programs in the recipient countries. This must include the effects of food aid on the generation of capital, the acceptance of new technology in the agricultural and industrial sectors, the demands on a particular country's foreign exchange, and most importantly, the change in per capita income of the citizens of that nation. The social and political changes are also an integral part of the total development picture.

The second viewpoint is one of self-interest on the part of the U.S. An attempt should be made to determine what effect changes in the recipient nations will have on the U.S. domestic programs, as well as the effects on the operation of P.L. 480. Some members of Congress and many administrators of the U.S. foreign aid programs give the impression that the surplus disposal aspect of P.L. 480 has been relegated to a secondary objective behind the proposal of self-help. The future domestic farm legislation developed in the U.S. will be a primary determinant as to whether these people maintain this belief. The U.S. must react wisely to the many changes that will occur overseas in the near future. It is quite certain that neither our competitors nor the countries receiving our agricultural commodities will adjust their programs and policies because of our domestic agricultural legislation.

It must also be realized that the use of food aid, and even the use of dollar aid, calls for many sacrifices on the part of the participating nations. The aid given to these countries by the U.S. is not simply an addition to the internal resources they have already allocated to their development programs. The programs developed by the Agency for International Development and other U.S. agencies and the programs designed to use food aid generally call for an increase in the investments made by the recipient countries. This can place a severe strain on the funds generated within the particular countries, especially if their tax systems are inadequate or poorly enforced as is often the case. Many countries, in fact, are quite hesitant in attempting to generate the necessary funds to meet the demands of the new programs. They feel that their interests and their list of priorities is often being ignored by the administrators of the U.S. programs. In fact, in many cases the projects to be developed within a particular country are picked by the U.S. after only minimal discussion with a country's leaders.

The food for work program offers an excellent illustration of the problems a recipient country can run up against in trying to meet their obligations with U.S. aid programs. In most cases, the nation which receives donated food to be used on work projects is responsible for the transportation costs within the country. These are costs that would not have otherwise been incurred. They commit the country to extra expenses for which funds are not readily available. Furthermore, the wages on food for work programs are not entirely paid in the commodities donated by the U.S. Each worker on the food for work projects receives a supplemental cash wage which is paid largely by the less developed nation. Again, an extra strain is put on the budget that would not otherwise have existed.

In the case of food for work programs, the participating country must raise extra funds to finance their share of the program. These funds can possibly come from various sources. First, the government can attempt to increase the revenue received from taxable sources within the country. This means that the higher income brackets engaged in commercial enterprises are the principal groups affected. This poses a significant problem in that those people having economic power also have the dominant political power in the country. It is quite difficult to get any group to vote an increase in taxes upon themselves.

Another version of the above method of raising additional revenues would be more stringent enforcement of existing tax laws. This, however, generally affects the wealthier classes also, and puts the final results of this system into the same position as the prior possibility.

A second method of raising the necessary revenues to meet the added responsibilities of accepting P.L. 480 agricultural commodities is the reallocation of existing revenues. This is probably the most widely employed method of the participating countries, but it can have serious drawbacks. A hypothetical situation would best serve to illustrate the problem of this type of financing. For example, a country in Africa signs an agreement with the U.S. to receive 1,000 tons of wheat under the Title II food for work program. This is a 'donation' by the people of the U.S. to the people of the African country to be used as a partial wage payment on public work projects. The wheat or wheat flour is delivered to the seaport of the country in question. Now the expense of this program begins to draw on the treasury of the recipient nation. They must have transportation and storage available for the wheat when it arrives at the port, and the country must find sufficient funds to pay the salaries of the managerial talent and, in some cases, machine operators for projects that cannot be completed solely with manual labor. The government, therefore, begins looking in other sectors for the necessary funds.

A school that was scheduled for construction is postponed or cancelled or possibly funds for a mobile health unit to outlying areas is severely reduced. These funds are then transferred to the food for work program to pay the costs of administration, transportation, and wages. In no country are the donated P.L. 480 goods used as a complete substitute for money wages.

This example demonstrates another possible problem. In such cases, a conflict can arise when U.S. administrators and representatives of the recipient country meet to arrange a list of priorities. The U.S. representatives tend to exert pressure for the acceptance of the programs they feel are important. Such programs lend themselves to the types of aid the U.S. is willing to supply. This does not mean that these projects are always the most beneficial for the overall development of the nation's economy or social development or that they were listed as top priority programs by the less developed nation.

Internal Production of Recipient Countries

Many less developed countries have definite plans of achieving self-sufficiency in the production of certain crops as soon as possible. This generally means that these nations wish to reach a stage of production that will allow them to be net exporters of certain basic commodities, principally wheat and rice. Countries striving to attain self-sufficiency feel that the goal has been reached when the quantity produced is equal to the amount purchased through regular commercial channels. This does not mean that the people of the country are receiving a sufficient intake in terms of calories. If India does succeed in reaching its goal of self-sufficiency by 1976, there will still be large numbers of people who are not receiving an adequate diet. Another important facet of this question is quantity versus quality. A person who is using rice for the large part of his diet, even if he is receiving sufficient calories, is not getting the proper nutritive balance.

In 1965, the Pakistani government embarked on a program to achieve self-sufficiency in wheat production by 1970-71 (World Food Problem, 1967, p. 211). India, meanwhile, is planning to reach the goal of self-sufficiency by 1976. This will require an increase in production of about five percent per year for a nine year period beginning with 1968. This program is "technologically feasible, but in practice . . . will require extremely well-coordinated resource planning and timely investment and policy decisions, to assure both the availability and effective utilization of the necessary agro-industry inputs (World Food Problem, 1967, p. 689)."

Many of the self-help programs initiated under the auspices of P.L. 480 are aimed at helping the various recipient countries achieve their goals of self-sufficiency. As mentioned in the previous chapter, many loans and grants of both local currency and dollars have been aimed at aiding these nations in their drive to increase internal production of agricultural commodities. The dissemination of seeds, fertilizers, pesticides, and proper farming techniques have been encouraged by the administrators of P.L. 480 and Agency for International Development. It should be noted, however, that the majority of these programs have been aimed at increasing those crops which are already in surplus in many of the more developed areas of the world.

Another basic need of the less developed countries is an expansion of basic and adaptive research within each area. Many experts have realized that simply transplanting technology from the developed areas of the world to the underdeveloped regions is often not practical and can often be catastrophic. A good example of this type of endeavor concerns the attempts of the U.S. government to upgrade the livestock in other parts of the world by shipping breeding stock from this country to many of the developing areas. This has ended in failure many times because of the inadaptability of the animals. In many of the cases, the animals are shipped from a temperate climate to an area with a tropical or subtropical environment. The livestock comes in contact with new diseases which did not exist in the U.S. Also, the heat found in many of these areas adds to the difficulty in maintaining healthy animals.

This is only one example of the many problems that can arise when a direct transplant of some type of technology is attempted. It would then seem wise for the developed areas of the world to give basic and adaptive research a high priority in the overall economic development program. A large part of the funds generated under P.L. 480, as well as development funds from other agencies could be channeled into this area to aid in a diversification of agricultural development. It could well be that the total onslaught on increasing production of food grains is not necessarily the most efficient method for total agricultural development.

Production in the Developed Countries

If many of the underdeveloped areas do manage to obtain self-sufficiency in such commodities as wheat and rice, this will have a profound effect on the production of these commodities in the established production regions of the world. Some countries such as Canada, have access to markets that are closed to the U.S. Our northern neighbor shipped large quantities of wheat to Communist China during the past few years on strictly a commercial trade basis. This has alleviated but by no means solved their surplus production problems. The U.S., however, does not have this added market to rely upon. As the number of countries exporting wheat, rice, and other basic commodities increases, the market available to the U.S. will presumably be decreasing. It will certainly be decreasing in terms of a percentage of the entire market available, and if the statistics of only one year, 1968, can be used as a possible future tendency, the absolute size of the wheat market may also decrease.

If the commercial and concessional sales do decrease during the next five to ten years, major changes will be needed in the agricultural policy of the U.S. The surplus commodities will no longer be welcomed in countries such as India or Pakistan because they will be producing sufficient quantities internally to fill the existing commercial demand. The U.S., therefore, will have to reevaluate its position in regard to these commodities. It may well be, in the final analysis, that the solution lies in stricter domestic controls with less reliance on P.L. 480 sales and donations as the balancing agent. Projections made by the Economics Research Service in 1967 seem to verify this possibility. After careful studies of the situation in the developed and underdeveloped areas the ERS stated:

> . . . it is projected that the world would have a significant surplus of grain in 1980 if 186 million acres were harvested for grain in the United States. This surplus ranges from 30 million tons of grain production if the LDC's continued to increase at historical rates, up to about twice that amount if the LDC's were to achieve a 4 percent rate of growth in grain production (Abel and Rojko, 1967, p. iii).

It must be noted that this projection includes all grain production instead of just wheat. The situation with wheat could be even worse if present conditions persist.

Wheat output increased approximately 48 percent in India for the 1968 crop year. This is a tremendous surge for one year and reflects the good weather and rapid increase in the use of the new high yield varieties of seed in conjunction with fertilizer and better management techniques. This growth of production is, of course, not sustainable, but many experts believe that an overall growth in wheat production of 5 percent is not an unrealistic possibility for India and many other LDC's.

It is quite possible that the partial solution to the supply problem in the U.S. will come from increased production of grains other than wheat. If the LDC's continue to concentrate on the production of wheat and rice for human consumption, the U.S. could, in the future, maintain a larger foreign market by increased feed grain production for export. Many less developed countries have fledgling beef industries which should show a good rate of growth during the next decade. If this happens, a quantity of feed grains will be needed to support this industry. If many of the taboos against meat consumption break down in India, it will find itself in this position. The developed countries of the world should also prove to be available markets for increased exports of coarse grains from the U.S. Japan and Western Europe will continue to have a strong growth of demand for meat products during the forthcoming decade.

There is one major obstacle to this possible development. The U.S. must be competitive with other grain exporters of the world. The International Grains Agreement (I.G.A.) which was negotiated in 1968 is for all practical purposes non-functioning at this time. The principal purpose of the I.G.A. was to regulate the prices of grains sold on the international market. There are no production controls included in the agreement nor are there any limitations put on the quantities exported by the member countries. Because of this lack of control over supply and the absence of any policing authority, the I.G.A. is now being ignored by most countries because of the large supplies accumulating in many countries. If a new binding agreement is not negotiated, the U.S. must become competitive with other countries on strictly commercial terms. Due to the gap between nutritive self-sufficiency and commercial sufficiency mentioned earlier, the U.S. will probably be able to maintain or increase the quantities of agricultural commodities shipped under Title II of P.L. 480. This title, however, is basically a donation program in nature. It will not act as a market where payment is expected either in dollars or local currencies.

It would appear that as many of the LDC's increase their production of food grains, their demand for U.S. food grains will diminish. This could cause the major grain producing areas, such as the Great Plains, to shift much of their production to feed grains, or to begin selling wheat as a substitute for the coarse grains now used as livestock feed.

Other crops will also benefit from the economic development of the less developed areas. Secretary Orville L. Freeman, in testimony presented to the Senate Committee on Agriculture and Forestry, stated:

> ". . . we have further observed that for every 10 percent increase in incomes in developing countries we can expect their imports of our agricultural products on commercial terms to increase by 16 percent. (Com. on Agric. and For., 1966, p. 35)."

This indicates that as a country goes through the stages of development, it increases the amounts purchased under commercial terms. This is a logical conclusion to draw, considering our experiences with Taiwan, Korea, and Spain. It does not mean, however, that the increase in demand is for our surplus agriculture commodities. A more likely situation is that there will be a growth in demand for products with higher protein content. The countries will begin to import a smaller amount of "inferior" foodstuffs--those that have a falling demand as incomes increase--and increase the importation of foods and products that experience a direct relationship with a growth in income.

The Regional Importance of Government Export Programs in the United States

It is interesting to note the areas of the U.S. that would be most severely affected by a large reduction in the

P.L. 480 concessional sales. Many of the states rely heavily on the concessional sales to make up a large part of the total exports. If the decrease in concessional sales and donations under P.L. 480 is not offset to a large increase in commercial sales of the product, the farmers that rely heavily on exports will definitely suffer. Table 4 shows the total amounts exported from the ten states that rely most heavily on government programs for their export earnings.

Of the ten states listed in Table 4, only Vermont has a major share of its government exports in a commodity other than wheat. Almost the entire amount of government shipments from Vermont is in the form of dairy products. It does not appear likely at this time that there will be any major shifts in the quantities of these products shipped overseas if present conditions continue.

Table 5 demonstrates the importance of the principal crop under the government programs in relation to all crops exported under this method. It must be remembered that P.L. 480 is not the only legislation which allows the concessional sales and donations, but it is the principal method for this type of export.

It is interesting to note the importance of tobacco in New England and the South Atlantic area. It is quite ironic that the United States Government goes so far as to advertise tobacco overseas, while at home the same Government attempts to discourage its use.

TABLE 4. Government Programs for Agricultural Exports as a Percentage of Total Agricultural Exports of the Ten Most Affected States. Fiscal Year 1967/1968

State	Total Exports (Millions of Dollars)	Exports Through Government Programs (Millions of Dollars)	Percent of Government Programs
Vermont	$ 1.5	$ 1.0	67
Montana	107.1	56.3	53
North Dakota	165.6	78.5	47
Oklahoma	114.9	53.1	46
Wyoming	7.8	3.6	46
Kansas	296.0	132.1	45
Idaho	66.2	28.5	43
Utah	14.5	6.0	41
Washington	152.2	60.7	40
Nevada	1.8	0.7	39
United States	6,315.1	1,602.8	25

Source: Calculated from Foreign Agricultural Trade of the United States, Economic Research Service, U.S. Department of Agriculture, Table 2, November 1968.

TABLE 5. The Export of the Principal Crop by Region as a Percentage of Total Government Agricultural Exports from that Region

Region	Crop	Percent
New England	Tobacco	65.5
Middle Atlantic	Wheat[a]	36.3
East North Central	Wheat	46.1
West North Central	Wheat	66.1
South Atlantic	Tobacco	70.7
East South Central	Cotton	37.7
West South Central	Rice	31.2
Mountain	Wheat	78.9
Pacific	Wheat	50.5
United States	Wheat	44.0

[a] Wheat in all areas excludes wheat flour.

Source: Calculated from Foreign Agricultural Trade of the United States, Economic Research Service, U.S. Department of Agriculture, Table 2, November 1968.

Table 5 demonstrates the importance of wheat in the government export programs. The Mountain, Pacific, and West North Central areas are very dependent on this commodity for their export dollar. If the decline for U.S. wheat abroad continues, it will be these areas that will suffer the most.

These same areas will be the first to begin switching to the production of alternate crops such as the feed grains mentioned earlier. If this happens, the composition of government financed and commercial exports will change. The total quantity shipped, however, would increase or decrease, depending on the rate of expansion of the livestock industry abroad.

Table 5 also shows the importance of wheat in the U.S. as a whole. Approximately 44 percent of all government shipments are in the form of wheat. If wheat flour is added to this figure, the two combined make up nearly 48 percent of the total shipments financed by the U.S. The commercial sales figures, however, tell an entirely different story. A little less than 11 percent of all commercial marketings abroad consist of wheat and wheat flour.

This brings to mind another important question. Does the sale of agricultural commodities under the auspices of the P.L. 480 program affect the quantities sold commercially through private trade channels? Many of our competitors, such as Canada and Australia, believe that there is a disruption of so-called normal marketing channels. The disagreement arises over the question concerning to what extent this substitution takes place. In a study done at Oklahoma State University on this problem, it was estimated that the rate of substitution of wheat under government financed programs for wheat purchased commercially was approximately .4 for the period 1964 through 1966. This means that every bushel of wheat imported under special terms by the countries covered in this study decreased their commercial imports by two-fifths of a bushel (Andersen, 1969, p. 95). One must remember that this does not denote a 40 percent decrease of U.S. commercial wheat exports to those countries. All exporting countries bear this burden; therefore, it is easy to understand the bitterness demonstrated by our competitors. It may well be that under the present conditions the U.S. is shipping much more wheat than it would have if all sales in the world were strictly on a commercial basis.

Another example of the amounts of concessional sales that are substituted for commercial shipments is Israel. In a study completed by the Bank of Israel, ". . . it was estimated that approximately 73 percent of the wheat imported under P.L. 480 during 1955-60 would have been imported commercially in the absence of P.L. 480 (Andersen, 1969, pp. 90-91)."

The dependence of many agricultural commodities on P.L. 480 is readily observed in Table 6. Soybean oil and the dairy products are almost completely sold under concessional terms. Also, a substantial portion of the dairy products is moved under Title II donation projects.

Child feeding in many schools of the less developed countries accounts for a large part of the dried milk

TABLE 6. Government Export Programs as a Percentage of Total Exports by Commodity. Fiscal Year 1967/1968

Commodity	Total Exports (Millions of Dollars)	Government Exports (Millions of Dollars)	Percent
Wheat and Flour	$1,277.5	$767.1	60.0
Total Feed Grains	1,000.3	119.9	12.0
Tobacco	493.6	105.2	21.3
Cotton	474.8	174.7	36.8
Rice	339.2	137.0	40.4
Soybean Oil	117.2	112.0	95.6
Dairy Products	115.7	110.3	95.3

Source: Calculated from Foreign Agricultural Trade of the United States, Economic Research Service, U.S. Department of Agriculture, Table 2, November 1968.

shipped by the U.S. under P.L. 480. Another important fact to be noted in Table 6 is the relationship of feed grains to wheat. At this time a large part of the feed grain exports is under commercial conditions, while more than half of the wheat sold abroad is under P.L. 480.

If the gradual shift to feed grains takes place, it can affect exports in two principal ways. One possibility is that if the percent of feed grains sold through government programs remains approximately the same, the size of the commercial marketings could increase substantially. This seems quite possible since most of the growth in the livestock industry most probably will be in developed areas such as Japan and Europe.

The second alternative is an increase in the percentage of feed grains that is sent under the programs financed by the government. The final outcome will very likely be a combination of both possibilities. The absolute amount of both groups will increase, with the concessional sales increasing more rapidly relative to commercial marketings.

There are many variables which will have an effect on the P.L. 480 programs abroad. The stability of the governments of the recipient countries is a major determinant of the success of U.S. programs abroad. If the leaders of these countries can initiate a fairly stable political situation, this will give added impetus to overall economic development. The self-help programs of P.L. 480 will have a much greater chance of accomplishing the desired objectives which, paradoxically, could add to the domestic surplus problem of the U.S. If this does happen, the future of the agricultural areas producing the commodities, such as wheat or cotton, will depend upon farm legislation developed by the U.S. Congress. Greater emphasis must be put on solving the oversupply problem of American agriculture within our own boundaries rather than attempting to export it.

CHAPTER V

SUMMARY AND CONCLUSIONS

In attempting to analyze the effects of the amendments to P.L. 480 during the past three years, one definite limitation that has come to the forefront is the short period of time that has passed under the new regulations. It may well be 20 to 40 years before the economic consequences of shifting from local currency to long-term dollar credit sales are known. At this time the countries will begin to pay back the dollars, and their ability to make the payments will be an important determinant in evaluating the success of the economic development programs.

It is important, however, to realize that the repayment of P.L. 480 obligations is not the only important factor in analyzing the effectiveness of the programs. It is also necessary to attempt to judge the programs as to their success in aiding the growth and development of the agricultural sector. This includes the success of dissemination of new technology, capital, managerial practices, and improved market conditions, as well as the improvement of the overall standard of living. Since the majority of Title I local currency sales are returned to the nations anyway, nonpayment of their obligations at the future dates would not significantly change the prevailing situation. It must also be remembered that even if a country has a certain amount of foreign exchange, the possibility is great that there will be many more projects of higher priority.

One can look at the statistics published by the U.S. Government and come away impressed with the great strides made by the agricultural sectors of some of the developing countries such as Pakistan, India, and Brazil. It must be remembered, however, that if a country starts at a very low base, it is not nearly as difficult to show a significant percentage increase over a longer period. It is, after all, this type of growth that must be strived for and it is only this type of growth that will permit overall development of a country.

As has been noted throughout this study, a few of the countries have had great increases in the production of some agricultural commodities, principally wheat and rice. It was also noted that a large part of the growth in these nations was generated due to a combination of factors coming together at the opportune moment. Therefore, the question is not what directly increased production, but what introduced and promoted the causal factors. To be able to make an accurate and complete study of these factors, one should know what would have happened if a certain aspect of the growth process had been withheld. Whether India would have had such a significant increase in wheat production without the self-help provisions of P.L. 480 is an example of this type of analysis. This question cannot be answered in absolute terms, because the self-help regulations are not purely economic in nature. There are many intangible factors which cannot be evaluated in monetary terms, such as the pressure exerted on foreign governments by the U.S. to establish an economic climate more favorable for stimulating increased agricultural production. It is probably true that a large part of the increase would have taken place without the self-help provisions of P.L. 480. We do not know, however, how much production would have increased or how long it would have been sustained. Possibly even more important is the attitude of the less developed country toward the increase. A greater effort was made on the part of India to establish a more stable market, hopefully to insure the farmers of prices that would encourage even greater production. The new price support program has not been entirely successful, but with the advantage of hindsight, the Indian Government should be able to formulate a program to meet the needs.

Because of the tremendous need for aid throughout the world, the U.S. must be selective in choosing the areas of application. It is a definite possibility that this country has spread its aid too thinly among too many nations. The location and quantity of aid given, however, is not decided purely on an economic basis. A large part of the aid is divided up because of political considerations. This is a fact of life and it seems safe to assume that this aspect will not be changed in the foreseeable future.

Another factor of importance is the type of aid sent. A large quantity of food aid has been sent in place of dollar aid. There have been cases where a country was persuaded to take agricultural commodities under P.L. 480 as a prerequisite for receiving additional dollar aid. This leads to inefficiencies in the development process, and is of little help to anyone except the U.S. It is time to evaluate foreign aid in terms of its use to the country in question rather than its political implications for the U.S.

It appears, on the surface at least, that President Nixon has realized that the type of aid mentioned in the previous paragraph is not the panacea for the problems faced in making foreign aid decisions. In a speech made before the Inter-American Press Association, he stated:

> Most Latin American exports now are raw materials and foodstuffs. We are attempting to help the other countries of the Hemisphere to stabilize their earnings from these exports, and to increase them as time goes on.
>
> Increasingly, however, those countries will have to turn toward manufactured and semi-manufactured products for balanced development and major export growth. Thus they need to be assured of access to the expanding markets of the industrialized world. In order to help achieve this, I have determined to take the following major steps:
>
> First, to lead a vigorous effort to reduce the non-tariff barriers to trade maintained by nearly all industrialized countries against producers of

particular interest to Latin America and other developing countries.

Second, to support increased technical and financial assistance to promote Latin American trade expansion.

Third, to support the establishment, within the inter-American system, of regular procedures for advance consultation on all trade matters. U.S. trade policies often have a very heavy impact on our neighbors. It seems only fair that in the more balanced relationship we seek, there should be full consultation within the Hemisphere family before decisions affecting its members are taken, not after.

Finally, in world trade forums to press for a liberal system of generalized tariff preferences for all developing countries, including Latin America. We will seek adoption by all industrialized countries of a scheme with broad product coverage and with no ceilings on preferential imports (Nixon, 1969).

If The President lowers trade barriers and allows greater imports of various products from Latin America as he has vowed to do, it will be a large step in the right direction. This will give the less developed nations an opportunity to earn their own foreign exchange to spend on the projects the government leaders believe should have first priorities. A major part of the overall economic and political development is the construction and evolution of responsible government. This can happen most effectively if the political leaders in the less developed countries (LDC's) have the opportunity to use their own funds to develop their own projects.

It has been said that the price of failure is too high for the LDC's. It should be remembered, however, that the U.S. has had many failures itself in the realm of foreign and domestic policy. The rationale seems to be that it is all right for the U.S. to make a mistake with its own money, but it is inexcusable for an underdeveloped area to make a mistake with money it has received through a grant or a loan.

Because P.L. 480 is only one part of the overall aid program supported by the U.S., it is difficult to study the Act as an independent entity. If the overall growth and development is to be analyzed, it stands to reason that all forms of aid must be included in the study. It is helpful, however, to observe what particular areas of an economy are affected by the different types of aid, and the amount that is contributed by each form. It is within these limitations that this study was attempted, and it is within these limitations that it should be viewed.

APPENDIX A

PUBLIC LAW 480 - 83d CONGRESS

Chapter 469 - 2d Session

S. 2475

As amended through July 29, 1968. Originally enacted July 10, 1954, (68 Stat. 454)

AN ACT

To increase the consumption of United States agricultural commodities in foreign countries, to improve the foreign relations of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Trade Development and Assistance Act of 1954".

SEC. 2. The Congress hereby declares it to be the policy of the United States to expand international trade; to develop and expand export markets for United States agricultural commodities; to use the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage economic development in the developing countries, with particular emphasis on assistance to those countries that are determined to improve their own agricultural production; and to promote in other ways the foreign policy of the United States.

TITLE I

SEC. 101. In order to carry out the policies and accomplish the objectives set forth in section 2 of this Act, the President is authorized to negotiate and carry out agreements with friendly countries to provide for the sale of agricultural commodities for dollars on credit terms or for foreign currencies.

SEC. 102. For the purpose of carrying out agreements concluded under this Act the Commodity Credit Corporation is authorized to finance the sale and exportation of agricultural commodities whether from private stocks or from stocks of the Commodity Credit Corporation: Provided, That the Commodity Credit Corporation shall not finance the sale and export of agricultural commodities under this Act for any exporter which is engaging in, or in the six months immediately preceding the application for such financing has engaged in, any sales, trade, or commerce with North Vietnam, or with any resident thereof, or which owns or controls any company which is engaging in, or in such period has engaged in, any such sales, trade, or commerce, or which is owned or controlled by any company or person which is engaging in, or which in such period has engaged in, any such sales, trade, or commerce either directly or through any branch, subsidiary, affiliate, or associated company: Provided further, That such application for financing must be accompanied by a statement in which are listed by name, address, and chief executive officers all branches, affiliates, subsidiaries and associated companies, foreign and domestic, in which the applicant has a controlling interest and similar information for all companies which either directly or through subsidiaries or otherwise have a controlling interest in the applicant company.

SEC. 103. In exercising the authorities conferred upon him by this title, the President shall--

(a) take into account efforts of friendly countries to help themselves toward a greater degree of self-reliance, including efforts to meet their problems of food production and population growth;

(b) take steps to assure a progressive transition from sales for foreign currencies to sales for dollars (or to the extent that transition to sales for dollars under the terms applicable to such sales is not possible, transition to sales for foreign currencies on credit terms no less favorable to the United States than those for development loans made under section 201 of the Foreign Assistance Act of 1961, as amended, and on terms which permit conversion to dollars at the exchange rate applicable to the sales agreement) at a rate whereby the transition can be completed by December 31, 1971: Provided, That, except where he determines that it would be inconsistent with the objectives of the Act, the President shall determine the amount of foreign currencies needed for the uses specified in subsections (a), (b), (c), (e), and (h) of section 104, and the agreements for such credit sales shall provide for payment of such amounts in dollars or in foreign currencies upon delivery of the agricultural commodities. Such payment may be considered as an advance payment of the earliest installments;

(c) take reasonable precautions to safeguard usual marketings of the United States and to assure that sales under this title will not unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;

(d) make sales agreements only with those countries which he determines to be friendly to the United States: Provided, That the President shall periodically review the status of those countries which are eligible under this subsection and report the results of such review to the Congress. As used in this Act, "friendly country" shall not include (1) any country or area dominated or controlled by a foreign government or organization controlling a world Communist movement, or (2) for the purpose only of sales of agricultural commodities for foreign currencies under title I of this Act, any country or area dominated by a Communist government, or (3) for the purpose only of sales of agricultural commodities under title I of this Act, any nation which sells or furnishes or permits ships or aircraft under its registry to transport to or from Cuba or North Vietnam (excluding United States installations in Cuba) any equipment, materials, or commodities so long as they are governed by a Communist regime: Provided, That with respect to furnishing, selling, or selling and transporting to Cuba medical supplies, non-strategic raw materials for agriculture, and non-strategic agricultural or food commodities, sales agreements may be entered into if the President finds with respect to each such country, and so informs the Senate and the House of Representatives of the reasons therefor, that the making of each such agreement would be in the national interest of the United States and all such findings and reasons therefor shall be published in the Federal Register, or (4) for the purposes only of sales under title I of this Act the United Arab Republic, unless the President determines that such sale is in the national interest of the United States. No sales to the United Arab Republic shall be based upon the requirements of that nation for more than one fiscal year. The President shall keep the President of the Senate and the Speaker of the House of Representatives fully and currently informed with respect to sales made to the United Arab Republic under title I of this Act. Notwithstanding any other Act, the President may enter into agreements for the sale of agricultural commodities for dollars on credit terms under title I of this Act with countries which fall within the definition of "friendly country" for the purpose of such sales and no sales under this Act shall be made with any country if the President finds such country is (a) an aggressor, in a military sense, against any country having diplomatic relations with the United States, or (b) using funds, of any sort, from the United States for purposes inimical to the foreign policies of the United States;

(e) take appropriate steps to assure that private trade channels are used to the maximum extent practicable both with respect to sales from privately owned stocks and with respect to sales from stocks owned by the Commodity Credit Corporation and that small business has adequate and fair opportunity to participate in sales made under the authority of this Act;

(f) give special consideration to the development and expansion of foreign markets for United States agricultural commodities, with appropriate emphasis on more adequate storage, handling, and food distribution facilities as well as long-term development of new and expanding markets by encouraging economic growth;

(g) obtain commitments from purchasing countries that will prevent resale or transshipment to other countries, or use for other than domestic purposes, of agricultural commodities purchased under this title, without specific approval of the President;

(h) obtain rates of exchange applicable to the sale of commodities under such agreements which are not less favorable than the highest of exchange rates legally obtainable in the respective countries and which are not less favorable than the highest of exchange rates obtainable by any other nation;

(i) promote progress toward assurance of an adequate food supply by encouraging countries with which agreements are made to give higher emphasis to the production of food crops than to the production of such nonfood crops as are in world surplus;

(j) exercise the authority contained in title I of this Act to assist friendly countries to be independent of domination or control by any world Communist movement. Nothing in this Act shall be construed as authorizing sales agreements under title I with any government or organization controlling a world Communist movement or with any country with which the United States does not have diplomatic relations;

(k) whenever practicable require upon delivery that not less than 5 per centum of the purchase price of any agricultural commodities sold under title I of this Act be payable in dollars or in the types or kinds of currencies which can be converted into dollars;

(l) obtain commitments from friendly purchasing countries that will insure, insofar as practicable, that food commodities sold for foreign currencies under title I of this Act shall be marked or identified at point of distribution or sale as being provided on a concessional basis to the recipient government through the generosity of the people of the United States of America, and obtain commitments from purchasing countries to publicize widely to their people, by public media and other means, that the commodities are being provided on a concessional basis through the friendship of the American people as food for peace;

(m) require foreign currencies to be convertible to dollars to the extent consistent with the effectuation of the purposes of this Act, but in any event to the extent necessary to (1) permit that portion of such currencies made available for payment of United States obligations to be used to meet obligations or charges payable by the United States or any of its agencies to the government of the importing country or any of its agencies, and (2) in the case of excess currency countries, assure convertibility by sale to American tourists, or otherwise, of such additional amount (up to twenty-five per centum of the foreign currencies received pursuant to each agreement entered into after the effective date of the Food for Peace Act of 1966) as may be necessary to cover all normal expenditures of American tourists in the importing country;

(n) take maximum precautions to assure that sales for dollars on credit terms under this Act shall not displace any sales of United States agricultural commodities which would otherwise be made for cash dollars;

(o) Take steps to assure that the United States obtains a fair share of any increase in commercial purchases of agricultural commodities by the purchasing country;

(p) Assure convertibility at such uniformly applied exchange rates as shall be agreed upon of up to 50 per centum of the foreign currencies received pursuant to each agreement by sale to United States or purchasing country contractors for payment of wages earned in the development and consummation of works of public improvement in the purchasing country; and

(q) Assure convertibility of up to 50 per centum of the foreign currencies received pursuant to each agreement by sale to United States importers for the procurement of materials or commodities in the purchasing country.

SEC. 104. Not withstanding any other provision of law, the President may use or enter into agreements with foreign countries or international organizations to use the foreign currencies, including principal and interest from loan repayments, which accrue in connection with sales for foreign currencies under this title for one or more of the following purposes:

(a) For payment of United States obligations (including obligations entered into pursuant to other legislation);

(b) For carrying out programs of United States Government agencies to--

(1) help develop new markets for United States agricultural commodities on a mutually benefitting basis. From sale proceeds and loan repayments under this title not less than the equivalent of 5 per centum of the total sales made each year under this title shall be set aside in the amounts and kinds of foreign currencies specified by the Secretary of Agriculture and made available in advance for use as provided by this paragraph over such period of years as the Secretary of Agriculture determines will most effectively carry out the purpose of this paragraph: Provided, That the Secretary of Agriculture may release such amounts of the foreign currencies so set aside as he determines cannot be effectively used for agricultural market development purposes under this section, except that no release shall be made until the expiration of thirty days following the date on which notice of such proposed release is transmitted by the

President to the Senate Committee on Agriculture and Forestry and to the House Committee on Agriculture, if transmitted while Congress is in session, or sixty days following the date of transmittal if transmitted while Congress is not in session. Provision shall be made in sale and loan agreements for the convertibility of such amount of the proceeds thereof (not less than 2 per centum) as the Secretary of Agriculture determines to be needed to carry out the purpose of this paragraph in those countries which are or offer reasonable potential of becoming dollar markets for United States agricultural commodities. Such sums shall be converted into the types and kinds of foreign currencies as the Secretary deems necessary to carry out the provisions of this paragraph and such sums shall be deposited to a special Treasury account and shall not be made available or expended except for carrying out the provisions of this paragraph. Notwithstanding any other provision of law, if sufficient foreign currencies for carrying out the purpose of this paragraph in such countries are not otherwise available, the Secretary of Agriculture is authorized and directed to enter into agreements with such countries for the sale of agricultural commodities in such amounts as the Secretary of Agriculture determines to be adequate and for the use of the proceeds to carry out the purpose of this paragraph. In carrying out agricultural market development activities, nonprofit agricultural trade organizations shall be utilized to the maximum extent practicable. The purpose of this paragraph shall include such representation of agricultural industries as may be required during the course of discussions on trade programs relating either to individual commodities or groups of commodities;

(2) finance with not less than 2 per centum of the total sales proceeds received each year in each country activities to assist international educational and cultural exchange and to provide for the strengthening of the resources of American schools, colleges, universities, and other public and nonprofit private educational agencies for international studies and research under the programs authorized by title VI of the National Defense Education Act, the Mutual Educational and Cultural Exchange Act of 1961, the International Education Act of 1966, the Higher Education Act of 1965, the Elementary and Secondary Education Act of 1965, the National Foundation on the Arts and the Humanities Act of 1965, and the Public Broadcasting Act of 1967;

(3) collect, collate, translate, abstract, and disseminate scientific and technological information and conduct research and support scientific activities overseas including programs and projects of scientific cooperation between the United States and other countries such as

coordinated research against diseases common to all of mankind or unique to individual regions of the globe, and promote and support programs of medical and scientific research, cultural and educational development, family planning, health, nutrition, and sanitation;

(4) acquire by purchase, lease, rental, or otherwise, sites and buildings and grounds abroad, for United States Government use including offices, residence quarters, community and other facilities, and construct, repair, alter, and furnish such buildings and facilities;

(5) finance under the direction of the Librarian of Congress, in consultation with the National Science Foundation and other interested agencies, (A) programs outside the United States for the analysis and evaluation of foreign books, periodicals, and other materials to determine whether they would provide information of technical or scientific significance in the United States and whether such books, periodicals, and other materials are of cultural or educational significance, (B) the registry, indexing, binding, reproduction, cataloging, abstracting, translating, and dissemination of books, periodicals, and related materials determined to have such significance; and (C) the acquisition of such books, periodicals, and other materials and the deposit thereof in libraries and research centers in the United States specializing in the areas to which they relate;

(c) To procure equipment, materials, facilities, and services for the common defense including internal security;

(d) For assistance to meet emergency or extraordinary relief requirements other than requirements for food commodities: Provided, That not more than a total amount equivalent to $5,000,000 may be made available for this purpose during any fiscal year;

(e) For use to the maximum extent under the procedures established by such agency as the President shall designate for loans to United States business firms (including cooperatives) and branches, subsidiaries, or affiliates of such firms for business development and trade expansion in such countries, including loans for private home construction, and for loans to domestic or foreign firms (including cooperatives) for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of, and markets for, United States agricultural products: Provided, however, That no such loans shall be made for the manufacture of any products intended to be exported to the United States in competition with products produced in the United States and due consideration shall be given to the continued expansion of markets for United States agricultural commodities or the products thereof. Foreign currencies may be accepted in repayment of such loans;

(f) To promote multilateral trade and agricultural and other economic development, under procedures, established by the President, by loans or by use in any other manner which the President may determine to be in the national interest of the United States, particularly to assist programs of recipient countries designed to promote, increase, or improve food production, processing, distribution, or marketing in food-deficit countries friendly to the United States, for which purpose the President may utilize to the extent practicable the services of nonprofit voluntary agencies registered with and approved by the Advisory Committee on Voluntary Foreign Aid: Provided, That no such funds may be utilized to promote religious activities;

(g) For the purchase of goods or services for other friendly countries;

(h) For financing, at the request of such country, programs emphasizing maternal welfare, child health and nutrition, and activities, where participation is voluntary, related to the problems of population growth, under procedures established by the President through any agency of the United States, or through any local agency which he determines is qualified to administer such activities. Not less than 5 per centum of the total sales proceeds received each year shall, if requested by the foreign country, be used for voluntary programs to control population growth;

(i) For paying, to the maximum extent practicable, the costs outside the United States of carrying out the program authorized in section 406 of this Act;

(j) For sale for dollars to United States citizens and non-profit organizations for travel or other purposes of currencies determined to be in excess of the needs of departments and agencies of the United States for such currencies. The United States dollars received from the sale of such foreign currencies shall be deposited to the account of Commodity Credit Corporation; and

(k) For paying, to the maximum extent practicable, the costs of carrying out programs for the control of rodents, insects, weeds, and other animal or plant pests;

Provided, That--

(1) Section 1415 of the Supplemental Appropriation Act, 1953, shall apply to currencies used for the purposes specified in subsections (a) and (b),

(2) Section 1415 of the Supplemental Appropriation Act, 1953, shall apply to all foreign currencies used for grants under subsections (f) and (g), to not less than 10 per centum of the foreign currencies which accrue pursuant to agreements entered into on or before December 31, 1964, and to not less than 20 per centum in the aggregate of the foreign currencies which accrue pursuant to agreements entered into thereafter: Provided, however, That

the President is authorized to waive such applicability of section 1415 in any case where he determines that it would be inappropriate or inconsistent with the purposes of this title,

(3) No agreement or proposal to grant any foreign currencies (except as provided in subsection (c) of this section), or to use (except pursuant to appropriation Act) any principal or interest from loan repayments under this section shall be entered into or carried out until the expiration of thirty days following the date on which such agreement or proposal is transmitted by the President to the Senate Committee on Agriculture and Forestry and to the House Committee on Agriculture, if transmitted while Congress is in session, or sixty days following the date of transmittal if transmitted while Congress is not in session,

(4) Any loan made under the authority of this section shall bear interest at such rate as the President may determine but not less than the cost of funds to the United States Treasury, taking into consideration the current average market yields on outstanding marketable obligations of the United States having maturity comparable to the maturity of such loans, unless the President shall in specific instances after consultation with the advisory committee established under section 407 designate a different rate: Provided, further, That paragraphs (2), (3), and (4) of the foregoing proviso shall not apply in the case of any nation where the foreign currencies or credits owned by the United States and available for use by it in such nation are determined by the Secretary of the Treasury to be in excess of the normal requirements of the departments and agencies of the United States for expenditures in such nations for the two fiscal years following the fiscal year in which such determination is made. The amount of any such excess shall be devoted to the extent practicable and without regard to paragraph (1) of the foregoing proviso, to the acquisition of sites, buildings, and grounds under paragraph (4) of subsection (b) of this section and to assist such nation in undertaking self-help measures to increase its production of agricultural commodities and its facilities for storage and distribution of such commodities. Assistance under the foregoing provision shall be limited to self-help measures additional to those which would be undertaken without such assistance. Upon the determination by the Secretary of the Treasury that such an excess exists with respect to any nation, the President shall advise the Senate Committee on Agriculture and Forestry and the House Committee on Agriculture of such determination; and shall thereafter report to each such committee as often as may be necessary to keep such Committee advised as to the

extent of such excess, the purposes for which it is used or proposed to be used, and the effects of such use.

SEC. 105. Foreign currencies received pursuant to this Act shall be deposited in a special account to the credit of the United States and shall be used only pursuant to section 104, and any department or agency of the Government using any of such currencies for a purpose for which funds have been appropriated shall reimburse the Commodity Credit Corporation in an amount equivalent to the dollar value of the currencies used. The President shall utilize foreign currencies received pursuant to this Act in such manner as will, to the maximum extent possible, reduce any deficit in the balance of payments of the United States.

SEC. 106. (a) Payment by any friendly country for commodities purchased for dollars on credit shall be upon terms as favorable to the United States as the economy of such country will permit. Payment for such commodities shall be in dollars with interest at such rates as the Secretary may determine but not less than the minimum rate required by section 201 of the Foreign Assistance Act of 1961 for loans made under that section. Payment may be made in reasonable annual amounts over periods of not to exceed twenty years from the date of the last delivery of commodities in each calendar year under the agreement, except that the date for beginning such annual payment may be deferred for a period not later than two years after such date of last delivery, and interest shall be computed from the date of such last delivery. Delivery of such commodities shall be made in annual installments for not more than ten years following the date of the sales agreement and subject to the availability of the commodities at the time delivery is to be made.

(b) Agreements hereunder for the sale of agricultural commodities for dollars on credit terms shall include provisions to assure that the proceeds from the sale of the commodities in the recipient country are used for such economic development purposes as are agreed upon in the sales agreement or any amendment thereto.

SEC. 107. (a) It is also the policy of the Congress to stimulate and maximize the sale of United States agricultural commodities for dollars through the private trade and to further the use of private enterprise to the maximum, thereby strengthening the development and expansion of foreign commercial markets for United States agricultural commodities. In furtherance of this policy, the Secretary of Agriculture is authorized, notwithstanding any other provision of law, to enter into agreements with foreign and United States private trade for financing the sale of agricultural commodities for export over such periods of time and on such credit terms as the Secretary determines will accomplish the objectives of this section. Any agreement entered into under this section shall provide for the development and execution of projects which will result in the establishment of facilities designed to improve the storage or marketing of agricultural commodities, or which will otherwise stimulate and expand private economic enterprise in any friendly country. Any agreement entered into under this section shall also provide for the furnishing of such security as the Secretary determines necessary to provide reasonable and adequate assurance of payment of the purchase price in dollars with interest at a rate which will as nearly as practicable be equivalent to the average cost of funds to the United States Treasury, as determined by the Secretary of the Treasury, on outstanding marketable obligations of the United States having maturities comparable to maturities of credits extended under this section. In no event shall the rate of interest be less than the minimum rate, or the delivery period, deferral of first payment, or term of credit be longer than the maximum term, authorized in section 106. In carrying out this Act, the authority provided in this section for making dollar sales shall be used to the maximum extent practicable.

(b) In carrying out the provisions of this section, the Secretary shall take reasonable precautions to safeguard usual marketings of the United States and to avoid displacing any sales of United States agricultural commodities which the Secretary finds and determines would otherwise be made for cash dollars.

(c) The Secretary shall obtain commitments from purchasers that will prevent resale or transshipment to other countries, or use for other than domestic purposes, of agricultural commodities purchased under this section.

(d) In carrying out this Act, the provisions of sections 102, 103(a), 103(d), 103(e), 103(f), 103(j), 103(k), 110, 401, 402, 403, 404, 405, 407, 408, and 409 shall be applicable to sales under this section.

SEC. 108. The Commodity Credit Corporation may finance ocean freight charges incurred pursuant to agreements for sales for foreign currencies (other than those providing for conversion to dollars as described in section 103(b) of this Act) entered into hereunder only to the extent that such charges are higher (than would otherwise be the case) by reason of a requirement that the commodities be transported in United States-flag vessels. Such agreements shall require the balance of such charges for transportation in United States vessels to be paid in dollars by the nations or organizations with whom such agreements are entered into.

SEC. 109. (a) Before entering into agreements with developing countries for the sale of United States agricultural commodities on whatever terms, the President shall consider the extent to which the recipient country is undertaking wherever practicable self-help measures to increase per capita production and improve the means for storage and distribution of agricultural commodities, including:

(1) devoting land resources to the production of needed food rather than to the production of nonfood crops--especially nonfood crops in world surplus;

(2) development of the agricultural chemical, farm machinery and equipment, transportation and other necessary industries through private enterprise;

(3) training and instructing farmers in agricultural methods and techniques;

(4) constructing adequate storage facilities;

(5) improving marketing and distribution systems;

(6) creating a favorable environment for private enterprise and investment, both domestic and foreign, and utilizing available rechnical know-how;

(7) establishing and maintaining Government policies to insure adequate incentives to producers;

(8) establishing and expanding institutions for adaptive agricultural research;

(9) allocating for these purposes sufficient national budgetary and foreign exchange resources (including those supplied by bilateral, multilateral and consortium aid programs) and local currency resources (resulting from loans or grants to recipient governments of the proceeds of local currency sales);

(10) carrying out voluntary programs to control population growth.

(b) Notwithstanding any other provisions of this Act, in agreements with nations not engaged in armed conflict against Communist forces or against nations with which the United States has no diplomatic relations, not less than 20 per centum of the foreign currencies set aside for purposes other than those in sections 104(a), (b), (e), and (j) shall be allocated for the self-help measures set forth in this section.

(c) Each agreement entered into under this title shall describe the program which the recipient country is undertaking to improve its production, storage, and distribution of agricultural commodities; and shall provide for termination of such agreement whenever the President finds that such program is not being adequately developed.

SEC. 110. Agreements shall not be entered into under this title during any calendar year which will call for an appropriation to reimburse the Commodity Credit Corporation in an amount in excess of $1,900,000,000, plus any amount by which agreements entered into under this title in prior years have called or will call for appropriations to reimburse the Commodity Credit Corporation in amounts less than authorized for such prior years.

TITLE II

SEC. 201. The President is authorized to determine requirements and furnish agricultural commodities, on behalf of the people of the United States of America, to meet famine or other urgent or extraordinary relief requirements; to combat malnutrition, especially in children; to promote economic and community development in friendly developing areas; and for needy persons and nonprofit school lunch and preschool feeding programs outside the United States. The Commodity Credit Corporation shall make available to the President such agricultural commodities determined to be available under section 401 as he may request.

SEC. 202. The President may furnish commodities for the purposes set forth in section 201 through such friendly governments and such agencies, private or public, including integovernmental organizations such as the world food program and other multilateral organizations in such manner and upon such terms and conditions as he deems appropriate. The President shall, to the extent practicable, utilize nonprofit voluntary agencies registered with, and approved by, the Advisory Committee on Voluntary Foreign Aid. Insofar as practicable, all commodities furnished hereunder shall be clearly identified by appropriate marking on each package or container in the language of the locality where they are distributed as being furnished by the people of the United States of America. The assistance to needy persons shall insofar as practicable be directed toward community and other self-help activities designed to alleviate the causes of the need for such assistance. Except in the case of emergency, the President shall take reasonable precaution to assure that commodities furnished hereunder will not displace or interfere with sales which might otherwise be made.

SEC. 203. The Commodity Credit Corporation may, in addition to the cost of acquisition, pay with respect to commodities made available under this title costs for packaging, enrichment, preservation, and fortification; processing, transportation, handling, and other incidental costs up to the time of their delivery free on board vessels in United States ports; ocean freight charges from United States ports to designated ports of entry abroad, or, in the case of landlocked countries, transportation from United States ports to designated points of entry abroad; and charges for general average contributions arising out of the ocean transport of commodities transferred pursuant thereto.

SEC. 204. Programs of assistance shall not be undertaken under this title during any calendar year which call for an appropriation of more than $600,000,000 to reimburse the Commodity Credit Corporation for all costs incurred in connection with such programs (including the Corporation's investment in commodities made available)plus any amount by which programs of assistance undertaken under this title in the preceding calendar year have called or will call for appropriations to reimburse the Commodity Credit Corporation in amounts less than were authorized for such purpose during such preceding year. In addition to other funds available for such purposes under any other Act, funds made available under this title may be used in an amount not exceeding $7,500,000 annually to purchase foreign currencies accruing under title I of this Act in order to meet costs (except the personnel and administrative costs of cooperating sponsors, distributing agencies, and recipient agencies, and the costs of construction or maintenance of any church owned or operated edifice or any other edifices to be used for sectarian purposes) designed to assure that commodities made available under this title are used to carry out effectively the purposes for which such commodities are made available or to promote community and other self-help activities designed to alleviate the causes of the need for such assistance: Provided, however, That such funds shall be used only to supplement and not substitute for funds normally available for such purposes from other non-United States Government sources.

SEC. 205. It is the sense of the Congress that the President should encourage other advanced nations to make increased contributions for the purpose of combating world hunger and malnutrition, particularly through the expansion of international food and agricultural assistance programs. It is further the sense of the Congress that as a means of achieving this objective, the United States should work for the expansion of the United Nations World food program beyond its present established goals.

TITLE III

SEC. 301. (This section contains an amendment to section 407 of the Agricultural Act of 1949.)

SEC. 302. (This section amended section 416 of the Agricultural Act of 1949. Section 416 was further amended thereafter. Section 3(c) of the Food for Peace Act of 1966 deleted from section 416 that part authorizing donation abroad of Commodity Credit Corporation's stocks, which was consolidated into Title II of this Act.)

SEC. 303. The Secretary shall whenever he determines that such action is in the best interest of the United States, and to the maximum extent practicable, barter or exchange agricultural commodities owned by the Commodity Credit Corporation for (a) such strategic or other materials of which the United States does not domestically produce its requirements and which entail less risk of loss through deterioration or substantially less storage charges as the President may designate, or (b) materials, goods, or equipment required in connection with foreign economic and military aid and assistance programs, or (c) materials or equipment required in substantial quantities for offshore construction programs. He is hereby directed to use every practicable means, in cooperation with other Government agencies, to arrange and make, through private channels, such barters or exchanges or to utilize the authority conferred on him by section 4(h) of the Commodity Credit Corporation Charter Act, as amended, to make such barters or exchanges. In carrying out barters or exchanges authorized by this section, no restrictions shall be placed on the countries of the free world into which surplus agricultural commodities may be sold, except to the extent that the Secretary shall find necessary in order to take reasonable precautions to safeguard usual marketings of the United States and to assure that barters or exchanges under this Act will not unduly disrupt world prices of agricultural commodities or replace cash sales for dollars. The Secretary may permit the domestic processing of raw materials of foreign origin. The Secretary shall endeavor to cooperate with other exporting countries in preserving normal patterns of commercial trade with respect to commodities covered by formal multilateral international marketing agreements to which the United States is a party. Agencies of the United States Government procuring such materials, goods, or equipment are hereby directed to cooperate with the Secretary in the disposal of surplus agricultural commodities by means of barter or exchange. The Secretary is also directed to assist, through such means as are available to him, farmers' cooperatives in effecting exchange of agricultural commodities in their possession for strategic materials. Barter or exchange of agricultural commodities under clause (a) of this section shall be limited to exchange for materials which originate in the country to which the surplus agricultural commodities are exported and to arrangements which will prevent resale or transshipment of the agricultural commodities to other countries.

TITLE IV

SEC. 401. After consulting with other agencies of the Government affected and within policies laid down by the President for implementing this Act, and after taking into account productive capacity, domestic requirements, farm and consumer price levels, commercial exports, and adequate carryover, the Secretary of Agriculture shall determine the agricultural commodities and quantities thereof available for disposition under this Act, and the commodities and quantities thereof which may be included in the negotiations with each country. No commodity shall be available for disposition under this Act if such disposition would reduce the domestic supply of such commodity below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars as determined by the Secretary of Agriculture at the time of exportation of such commodity.

SEC. 402. The term "agricultural commodity" as used in this Act shall include any agricultural commodity produced in the United States or product thereof produced in the United States: Provided, however, That the term "agricultural commodity" shall not include alcoholic beverages, and for the purposes of title II of this Act, tobacco or products thereof. Subject to the availability of appropriations therefor, any domestically produced fishery product may be made available under this Act.

SEC. 403. There are hereby authorized to be appropriated such sums as may be necessary to carry out this Act including such amounts as may be required to make payments to the Commodity Credit Corporation, to the extent that Commodity Credit Corporation is not reimbursed under sections 104(j) and 105, for its actual costs incurred or to be incurred. In presenting his budget, the President shall classify expenditures under this Act as expenditures for international affairs and finance rather than for agriculture and agricultural resources.

SEC. 404. The programs of assistance undertaken pursuant to this Act shall be directed toward the attainment of the humanitarian objectives and national interest of the United States.

SEC. 405. The authority and funds provided by this Act shall be utilized in a manner that will assist friendly countries that are determined to help themselves toward a greater degree of self-reliance in providing enough food to meet the needs of their people and in resolving their problems relative to population growth.

SEC. 406. (a) In order to further assist friendly developing countries to become self-sufficient in food production, the Secretary of Agriculture is authorized, notwithstanding any other provision of law--

(1) To establish and administer through existing agencies of the Department of Agriculture a program of farmer-to-farmer assistance between the United States and such countries to help farmers in such countries in the practical aspects of increasing food production and distribution and improving the effectiveness of their farming operations;

(2) To enter into contracts or other cooperative agreements with, or make grants to, land-grant colleges and universities and other institutions of higher learning in the United States to recruit persons who by reason of training, education, or practical experience are knowledgeable in the practical arts and sciences of agriculture and home economics, and to train such persons in the practical techniques of transmitting to farmers in such countries improved practices in agriculture, and to participate in carrying out the program in such countries including, where desirable, additional courses for training or retraining in such countries;

(3) To consult and cooperate with private non-profit farm organizations in the exchange of farm youth and farm leaders with developing countries within the United States or abroad.

(4) To conduct research in tropical and subtropical agriculture for the improvement and development of tropical and subtropical food products for dissemination and cultivation in friendly countries;

(5) To coordinate the program authorized in this section with the activities of the Peace Corps, the Agency for International Development, and other agencies of the United States and to assign, upon agreement with such agencies, such persons to work with and under the administration of such agencies: Provided, That nothing in this section shall be construed to infringe upon the powers or functions of the Secretary of State;

(6) To establish by such rules and regulations as he deems necessary the conditions for eligibility and retention in and dismissal from the program established in this section, together with the terms, length and nature of service, compensation, employee status, oaths of office, and security clearances, and such persons shall be entitled to the benefits and subject to the responsibilities applicable to persons serving in the Peace Corps pursuant to the provisions of section 612, volume 75 of the Statutes at Large, as amended; and

(7) To the maximum extent practicable, to pay the costs of such program through the use of foreign currencies

accruing from the sale of agricultural commodities under this Act, as provided in section 104(i).

(b) There are hereby authorized to be appropriated not to exceed $33,000,000 during any fiscal year for the purpose of carrying out the provisions of this section.

SEC. 407. There is hereby established an Advisory Committee composed of the Secretary of State, the Secretary of the Treasury, the Secretary of Agriculture, the Director of the Bureau of the Budget, the Administrator of the Agency for International Development, the chairman and the ranking minority member of both the House Committee on Agriculture and the House Committee on Foreign Affairs, and the chairman and the ranking minority member of both the Senate Committee on Agriculture and Forestry and the Senate Committee on Foreign Relations. The Advisory Committee shall survey the general policies relating to the administration of the Act, including the manner of implementing the self-help provisions, the uses to be made of foreign currencies which accrue in connection with sales for foreign currencies under title I, the amount of currencies to be reserved in sales agreements for loans to private industry under section 104(e), rates of exchange, interest rates, and the terms under which dollar credit sales are made, and shall advise the President with respect thereto. The Advisory Committee shall meet not less than four times during each calendar year at the call of the Acting Chairman of such Committee who shall preside in the following order: The chairman of the House Committee on Agriculture, the chairman of the Senate Committee on Foreign Relations, the chairman of the Senate Committee on Agriculture and Forestry, and the chairman of the House Committee on Foreign Affairs.

SEC. 408. The President shall make a report to Congress not later than April 1 each year with respect to the activities carried out under this Act during the preceding calendar year. Such report shall describe the progress of each country with which agreements are in effect under title I in carrying out its agreements under such title.

SEC. 409. No agreements to finance sales under title I and no programs of assistance under title II shall be entered into after December 31, 1970.

SEC. 410. The provisions of section 620(e) of the Foreign Assistance Act of 1961, as amended (referring to nationalization, expropriation, and related governmental Acts affecting property owned by United States citizens), shall be applicable to assistance provided under title I of this Act.

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