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An Agricultural Law Research Article

**Agricultural Trade Development and  
Assistance Act: Public Law 480**

by

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# AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT: PUBLIC LAW 480

## INTRODUCTION

Agriculture exports play an important role in the United States economy. One of every three acres of United States farmland produces food and fiber for export.<sup>1</sup> These products account for one-fifth of the world's agriculture imports.<sup>2</sup> In 1983, for example, 145 million tons of farm products were exported, valued at \$34.8 billion.<sup>3</sup> These United States agriculture exports decreased this country's overall trade deficit by about \$18.4 billion.<sup>4</sup> Also, every one billion dollars in agricultural exports creates an additional one billion dollars in United States economic activity, which translates into approximately 35,000 jobs.<sup>5</sup> Unfortunately, there has been a ten percent decline in the volume of agricultural exports in the last three years.<sup>6</sup>

American agricultural exports reach the foreign market in two ways: one is through the ordinary channels of international trade; and the second is through the Agricultural Trade Development and Assistance Act.<sup>7</sup> This article will examine the role of Public Law 480 in agricultural exports. Also, along with presenting the history and organization of Public Law 480, this article will analyze the effect that this Act has on the farmer and will consider how the Act might be better utilized.

## HISTORY

The Agricultural Trade Development and Assistance Act of 1954 was a response to enormous agriculture surpluses. These post-World War II grain surpluses threatened commodity prices<sup>8</sup> and cost the taxpayers one million dollars a day for storage alone.<sup>9</sup> In 1952, the American Farm Bureau proposed a solution: create a secondary foreign market by allowing food-deficit countries to pay for American food imports in their own currencies instead of in dollars.<sup>10</sup> From this idea, Public Law 480 was developed. The purpose of

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1. OFFICE OF INFORMATION, U.S. DEP'T OF AGRIC., SELECTED SPEECHES AND NEWS RELEASES 6 (May 18, 1984).

2. *Id.*

3. OFFICE OF INFORMATION, U.S. DEP'T OF AGRIC., SPEECHES AND MAJOR PRESS RELEASES 7 (Mar. 23, 1984).

4. *Id.*

5. *Farm and Food Programs: Hearings Before the Subcomm. on Agricultural Production, Marketing, and Stabilization of Prices of the Senate Comm. on Agriculture, Nutrition, and Forestry*, 98th Cong., 2d Sess. 112 (1985) (statement of Randy Russell, Deputy Assistant Secretary for Economics, USDA) [hereinafter cited as *Farm and Food Programs*].

6. OFFICE OF INFORMATION, U.S. DEP'T OF AGRIC., SELECTED SPEECHES AND NEWS RELEASES 32 (June 8, 1984).

7. The Agricultural Trade Development and Assistance Act of 1954, ch. 469, Pub. L. No. 480, 68 Stat. 454 (current version at 7 U.S.C. §§ 1691, 1691a, 1701-1715, 1721-1727g, 1731-1736n (1982)).

8. 2 J. JUERGENMEYER & J. WADLEY, AGRICULTURAL LAW 417 (1982).

9. F. LAPPE & J. COLLINS, FOOD FIRST 329 (1977).

10. *Id.*

the Act was to expand international trade, to promote economic stability of American agriculture, to make maximum use of surplus agricultural commodities in the furtherance of foreign policy, and to stimulate the expansion of foreign trade in agricultural commodities produced in the United States.<sup>11</sup>

The Act was originally intended to last for three years, in which time the surpluses were supposed to be expanded.<sup>12</sup> Even though five billion dollars worth of American grain or twenty-eight percent of total American agricultural exports were sent abroad under the first five years of Public Law 480, the surpluses continued to mount.<sup>13</sup> By 1959, the United States grain supplies were the highest in history,<sup>14</sup> and amendments to the legislation were made in 1959<sup>15</sup> and 1964<sup>16</sup> extending the time for the Act to run.

A major change occurred in 1966, when the Act was amended to include the Food for Peace Act.<sup>17</sup> This amendment changed the focal point from one of disposal of surplus agricultural products to one of humanitarian purposes.<sup>18</sup> In fact, the disposition of surplus agricultural commodities was no longer a necessary objective of the Act.<sup>19</sup> The International Development and Food Assistance Acts of 1975<sup>20</sup> and 1977<sup>21</sup> continued to place increased emphasis on the humanitarian and developmental aspects of food aid. These Acts created the statutory authority and the criteria for the application of food aid as a development mechanism. In addition, the 1977 Act<sup>22</sup> introduced the issue of human rights as a criteria for the allocation of food aid.<sup>23</sup>

As the legislative history indicates, Congress has recently placed the greatest emphasis upon the use of government programmed exports for developmental and humanitarian consideration. At the same time, the original objectives of foreign policy, surplus disposal, and encouraging United States trade also remain important. The following section will examine how the current law operates to achieve these goals.

#### ORGANIZATION OF PUBLIC LAW 480

The current Public Law 480 states that it is the policy of the United States to expand international trade; to develop and expand export markets for the United States agriculture products; to use the agricultural productivity of

11. H.R. REP. NO. 1776, 83rd Cong., 2d Sess., reprinted in 1954 U.S. CODE CONG. & AD. NEWS 2509.

12. J. TARRANT, FOOD POLICIES 237 (1980).

13. F. LAPPE & J. COLLINS, *supra* note 9, at 330.

14. *Id.*

15. Act of Sept. 21, 1959, Pub. L. No. 86-341, 73 Stat. 606.

16. Act of Oct. 8, 1964, Pub. L. No. 88-638, 78 Stat. 1035.

17. Act of Nov. 11, 1966, Pub. L. 89-808, 80 Stat. 1526.

18. S. REP. NO. 1527, 89th Cong., 2d Sess. 8, reprinted in 1966 U.S. CODE CONG. & AD. NEWS 4410, 4414.

19. *Id.* at 8, reprinted in 1966 U.S. Code Cong. & Ad. News at 4414.

20. Act of Dec. 20, 1975, Pub. L. No. 94-161, 89 Stat. 849.

21. Act of Aug. 3, 1977, Pub. L. No. 95-88, 91 Stat. 533.

22. *Id.*

23. 7 U.S.C. § 1712 (1982). Public Law 480 prohibits Title I assistance to governments engaging in a consistent pattern of gross violations of internationally recognized human rights, but provides a mechanism which allows for food aid which directly benefits the needy people in these countries.

the United States to combat hunger; to encourage economic developments in the recipient countries; and to promote in other ways the foreign policy of the United States.<sup>24</sup> To accomplish this policy, Public Law 480 is administered through three separate programs. Title I<sup>25</sup> provides that sales of agricultural commodities can be made on a concessional basis to "friendly countries"<sup>26</sup> on the open market, for United States dollars on credit terms or for convertible foreign currency on credit terms.<sup>27</sup> Title II<sup>28</sup> involves the donation of food to needy countries for the emergency use in areas suffering critical food shortages. Title III<sup>29</sup> is the Food for Development Program in which Title I concessional sales are financed by the recipient nation's undertaking of predetermined developmental efforts.<sup>30</sup>

To obtain food assistance under Title I of this Act, a nation must enter into an agreement with the United States.<sup>31</sup> The participating nation must agree to undertake "wherever practicable self-help measures to increase per capita production and improve the means for shortage and distribution of agricultural commodities."<sup>32</sup> After an agreement is approved, the participant purchases the commodity on the United States open market. The Commodity Credit Corporation<sup>33</sup> finances the sale of these agricultural products, which may be from private stocks or from stocks of the Corporation.<sup>34</sup>

There are two methods of financing these sales by the Commodity Credit Corporation. The most commonly used method is the letters of commitment.<sup>35</sup> After the purchase authorization is signed, the recipient country requests that the Commodity Credit Corporation issue the letter of commitment to the United States bank which the recipient country has selected.<sup>36</sup> The United States supplier receives payment from this United States bank upon shipment of the commodity.<sup>37</sup> The Commodity Credit Corporation then reimburses the lending bank, through a Federal Reserve Bank, for the payments made by the bank to the United States commodity supplier.<sup>38</sup> Under the second method, which is reimbursement, the recipient country guarantees immediate payment to the United States supplier out of its own dollar resources.<sup>39</sup>

24. 7 U.S.C. § 1691 (1982).

25. *Id.* at §§ 1701-1715.

26. *Id.* at § 1701.

27. *Id.* at §§ 1701, 1703(b).

28. *Id.* at § 1721-1726.

29. *Id.* at §§ 1727-1727f.

30. *Id.* at § 1727b(a).

31. *Id.* at § 1701.

32. *Id.* at § 1709.

33. Commodity Credit Corporation Charter Act of 1948, ch. 704, 62 Stat. 1070 (current version at 15 U.S.C. §§ 714-714m (1982)).

34. 7 U.S.C. § 1702 (1982).

35. SENATE COMM. ON AGRICULTURE, NUTRITION, & FORESTRY, 95TH CONG., 2D SESS., NEW DIRECTIONS FOR UNITED STATES FOOD ASSISTANCE, A REPORT OF THE SPECIAL TASK FORCE ON THE OPERATION OF PUBLIC LAW 480 at 87 (Comm. Print 1978) [hereinafter cited as SPECIAL TASK FORCE REPORT].

36. 7 C.F.R. §§ 17.1(c)(1), 17.10 (1985).

37. *Id.* at § 17.10.

38. *Id.* at §§ 17.14-17.15.

39. *Id.* at §§ 17.1(c)(2), 17.11.

The recipient country then applies directly to the Commodity Credit Corporation for reimbursement of its dollar expenditures.<sup>40</sup>

One of the main features of Title I is its long term credit. Currently the participating importing country repays the Commodity Credit Corporation over a period of twenty to forty years.<sup>41</sup> Dollar credit sales have a maximum repayment period of twenty years from the date of the last delivery of commodities, but the payment may be deferred for a two-year grace period.<sup>42</sup> Payments for commodities purchased for convertible foreign currencies on credit terms can be extended over a maximum period of forty years with a grace period on principal payments of up to ten years.<sup>43</sup> Due to the long repayment period, the grace period, and the low interest rates, the recipient country receives a substantial grant element in the loan.<sup>44</sup> Given this long repayment period, the low interest rates, and then "using a conventional discount rate of 10 percent the grant element in the Public Law 480 sales agreement is roughly 60 percent."<sup>45</sup>

Title II is also known as the Food for Peace Act. Under Title II, the President determines requirements and furnishes agricultural commodities to meet famine, to combat malnutrition, especially in children, to promote economic and community development, and for nonprofit school lunch and preschool feeding programs.<sup>46</sup> The Commodity Credit Corporation makes available to the president the agricultural commodities that he has requested.<sup>47</sup> These commodities are then distributed to the various approved organizations.<sup>48</sup> These organizations include the United Nations World Food Program and nonprofit voluntary agencies such as CARE and the Catholic Relief Services. The program is utilized in this way because it is felt that these agencies provide the best means for assuring that the commodities in question will be distributed directly to the poor.<sup>49</sup>

Under Title III, the International Development and Food Assistance Act of 1977<sup>50</sup> was established as a mechanism for generating economic development through the use of food aid. Under this Act, the previous Title III was restructured to provide for the complete forgiveness of a Title I repayment obligation if the recipient nation participates in additional developmental ef-

40. *Id.* at § 17.11(a).

41. 7 U.S.C. § 1706(a) (1982).

42. *Id.* at § 1706(a)(1).

43. *Id.* at § 1706(a)(2).

44. U.S. DEP'T OF AGRIC., PUBLIC LAW 480 CONCESSIONAL SALES 12 (Foreign Agriculture Rep. No. 142, Dec. 1977) [hereinafter cited as CONCESSIONAL SALES].

45. SPECIAL TASK FORCE REPORT, *supra* note 35, at 34.

46. 7 U.S.C. § 1721(a) (1982). For example, to help Africa meet its critical food shortage, the United States has provided over three million tons of food worth one billion dollars this fiscal year (1985). OFFICE OF INFORMATION, U.S. DEP'T OF AGRIC., SELECTED SPEECHES AND NEWS RELEASES 6 (June 7, 1985).

47. 7 U.S.C. § 1721(a) (1982).

48. *Id.* at § 1722.

49. Walczak, *New Directions in United States Food Aid: Human Rights and Economic Development*, 8 DEN. J. INT'L L. & POL'Y 543, 548 (1979).

50. Act of Aug. 3, 1977, Pub. L. No. 95-88, 91 Stat. 533.

forts.<sup>51</sup> Thus, this Act provides an alternate method of satisfying a Title I debt. Title III is not a separate food program as it is subject to all of the Title I requirements, along with the Title III requirements.<sup>52</sup> The President designates certain countries as eligible if they meet the specified requirements.<sup>53</sup> If a country is eligible and it wishes to participate, it formulates and submits a multi-year proposal to the President.<sup>54</sup>

This Title III development plan must complement, but not replace, any other development activity;<sup>55</sup> therefore, the development projects must be in addition to the self-help measures found in Title I.<sup>56</sup> The resources for the development projects are provided by the funds accruing from the local sales by the recipient government of the United States commodities or the use of the commodities themselves.<sup>57</sup> The funds generated from the sale of agricultural commodities by any participating country must be held in a special account and disbursed for the purpose described in the approved Food for Development Program.<sup>58</sup> These disbursements are considered as payments and are credited against the participant's debt obligation.<sup>59</sup>

#### EFFECTS OF PUBLIC LAW 480

Through various congressional amendments, Public Law 480 has evolved from being primarily concerned with surpluses to an emphasis on humanitarian assistance. Since enacted in 1954, this country through Public Law 480 "has, on a concessional basis, moved over \$100 billion of food and fiber to meet human needs, contribute to economic development, and build commercial export markets in developing countries all over the world."<sup>60</sup> The legislative intent was that the humanitarian and developmental aspects would coexist and complement the expansion of export markets for United States agricultural products. Ideally, the food aid will be used to familiarize recipients with the United States trade practices, and as these countries become more developed, they will graduate from concessional to cash customers of the United States commodities.<sup>61</sup> This ideal has been realized in some cases, as Public Law 480 is credited with having built such important commercial markets for farm products as Japan, South Korea, Taiwan, Brazil, and Spain.<sup>62</sup>

Unfortunately, there are many aspects of Public Law 480 which sound good in theory, but are not easily carried out in practice. In 1979, the Presi-

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51. Walczak, *supra* note 49, at 553.

52. 7 U.S.C. § 1727b(b) (1982).

53. *Id.* at § 1717b.

54. *Id.* at § 1727b(a).

55. *Id.* at § 1727b(c).

56. *Id.* at § 1703(a).

57. *Id.* at § 1727(a).

58. *Id.* at § 1727d(a).

59. *Id.* at § 1727d.

60. SENATE COMM. ON AGRICULTURE, NUTRITION, AND FORESTRY, 98TH CONG., 2D SESS., TRADE POLICY PERSPECTIVES: SETTING THE STAGE FOR 1985 AGRICULTURAL LEGISLATION 225 (Comm. Print 1984) [hereinafter cited as TRADE POLICY].

61. *Id.* at 280. See also Walczak, *supra* note 49, at 548.

62. TRADE POLICY, *supra* note 60, at 312.

dent's Commission on World Hunger termed "Public Law 480 legislative and administrative provisions and the related decision making processes as cumbersome and overly complex."<sup>63</sup> Title I programs have developed problems due to the uneven and inconsistent self-help requirements placed on participating countries.<sup>64</sup> Another problem is the inability to repay the loans granted to the recipient countries by Commodity Credit Corporation. Ideally, the payments received reduce the net budgetary costs of Public Law 480, since these receipts are used to partially finance the program.<sup>65</sup> This method of reducing public Law 480 costs, however, has not been entirely successful because some recipient countries have accumulated huge debts and are unable to meet the repayments.<sup>66</sup>

The most controversial use of Public Law 480 is that of providing assistance in the furthering of United States foreign policy. One of the basic objectives of Public Law 480 is to promote the foreign policy of the United States;<sup>67</sup> therefore, food assistance is a valuable component in the implementation of foreign policy.<sup>68</sup> One main foreign policy, emphasized when Public Law 480 was proposed, was the combatting of the spread of communism through the use of surpluses.<sup>69</sup> This recurrent theme, of stopping the spread of communism, was affirmed again in the debates of the 1966 Food for Peace legislation.<sup>70</sup> In times when foreign policy becomes unpopular, the use of food aid is sometimes criticized.<sup>71</sup> This criticism was seen in the later stages of the Vietnam War<sup>72</sup> when domestic sentiment was against the United States' involvement in southeast Asia.<sup>73</sup> In 1974, at a time when the threat of famine gripped much of the world, almost half of the total aid was shipped to Vietnam and Cambodia.<sup>74</sup> Additional program abuse was indicated because at least eighty percent of the funds generated by Title I was used to support the war effort.<sup>75</sup> Several members of Congress felt that this was an inappropriate use for food aid funds, especially in view of the shortages in many other parts of the world. In response to this "prostitution and politicalization of the 'food-for-peace' program" Congress added a section to the Foreign Assistance Act of 1973 which prohibited the use of foreign currency funds for common defense and

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63. *Amendments to the Agricultural Trade Development and Assistance Act of 1954: Hearings Before the Subcomm. on Foreign Agricultural Policy of the Senate Comm. on Agriculture, Nutrition, and Forestry*, 96th Cong., 1st Sess. 54 (1979) (statement of J.S. Gabbert, Exec. Vice Pres., The Rice Millers' Ass'n) [hereinafter cited as *Amendments*].

64. TRADE POLICY, *supra* note 60, at 27.

65. SPECIAL TASK FORCE REPORT, *supra* note 35, at 60.

66. J. TARRANT, *supra* note 12, at 259.

67. 7 U.S.C. § 1691 (1982).

68. SPECIAL TASK FORCE REPORT, *supra* note 35, at 102.

69. SENATE SUBCOMM. ON FOREIGN AGRICULTURAL POLICY, 96TH CONG., 1ST SESS., FOOD FOR PEACE, 1954-1978—MAJOR CHANGES IN LEGISLATION 3 (Comm. Print 1979) [hereinafter cited as FOOD FOR PEACE].

70. *Id.* at 11.

71. SPECIAL TASK FORCE REPORT, *supra* note 35, at 102.

72. *Id.*

73. FOOD FOR PEACE, *supra* note 69, at 13.

74. *Id.*

75. *Id.*

internal security.<sup>76</sup> Another response to the abuses of Public Law 480 was the restriction of the amount of food aid allocated to countries other than those designated as "most seriously affected" by the food shortages.<sup>77</sup> These safeguards have helped to limit the predominance of foreign policy goals, including military involvement, over the developmental and humanitarian goals in the use of Public Law 480.

Title II has been criticized for its unnecessarily cumbersome project approval and oversight procedures.<sup>78</sup> "Consequently, severe delays in getting a commodity from United States supplier to foreign consumer are endemic to the process."<sup>79</sup> These extensive delays cause problems because the much-needed food does not reach the recipient country at the time it could do the most good. In addition, current funding under Title II is claimed to be "grossly inadequate to meet the existing and potential needs for such programs."<sup>80</sup>

Title III has been criticized as unrealistic in meeting developmental needs of the recipient country because it is extremely complex and many countries lack the managerial skills to carry out the provisions.<sup>81</sup> Title III programs have not been popular with potential participant countries for at least two other reasons. First, Title III agreements are often taken as an undue interference with internal affairs.<sup>82</sup> Secondly, Title III agreements, as compared to Title I, require the entire proceeds to be used for the designated project in a shorter time.<sup>83</sup> Whereas under Title I, there is a grant of sixty percent of the purchase price, and at least a twenty year payback.<sup>84</sup>

These problems are serious, but must be dealt with since exports are the lifeblood of American agriculture.<sup>85</sup> From 1970 to 1981, the agricultural exports increased from seven billion dollars to forty-four billion dollars.<sup>86</sup> This dramatic increase was seen as the answer to the problem of surplus grain and the depressed market prices. Unfortunately by 1983, the agricultural exports had declined to \$34.5 billion.<sup>87</sup> As these exports declined, the farm economy suffered. This drop in exports caused farm income to decline and farm prices to remain low. In order to reverse this trend, agriculture exports must be increased. One way to achieve this increase in exports is to expand the Public Law 480 programs.

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76. *Id.*

77. *Id.* at 14. See also 7 U.S.C. § 1711.

78. SPECIAL TASK FORCE REPORT, *supra* note 35, at 107.

79. *Id.* at 93.

80. *Agricultural Trade Legislation: Hearings Before the Subcomm. on Foreign Agricultural Policy of the Senate Comm. on Agriculture, Nutrition, and Forestry*, 98th Cong., 2d Sess. 42 (1984) (statement of L. Freeh, V. Pres., Land O' Lakes, Inc.) [hereinafter cited as *Agricultural Trade Legislation*].

81. Walczak, *supra* note 49, at 564.

82. *Id.* at 558.

83. *Id.* at 557, 558; see 7 U.S.C. §§ 1727d(a), 1727d(b) (1982).

84. Walczak, *supra* note 49, at 557; see U.S.C. § 1706(a) (1982).

85. *Farm and Food Programs*, *supra* note 5, at 111 (statement of R.M. Russell, Deputy Assistant Secretary for Econ., U.S. Dep't of Agric.).

86. *Agricultural Trade Legislation*, *supra* note 80, at 65 (statement of Sen. Larry Pressler).

87. *Id.* at 63, 65. Various reasons are given for this decline including the 1980 grain embargo, global surpluses, weak world economies, a strong dollar, and increased foreign competition.

The programs have the capacity to make a significant impact on exports. In the 1960's, the Public Law 480 annual shipments were an average of 14.5 million metric tons.<sup>88</sup> Since that time, however, the quantities have declined to an average of approximately 6.0-6.3 million metric tons per year.<sup>89</sup> Increasing Public Law 480 shipments to the 1960's levels would stimulate exports.

This increase in export volume translates into an increase in farm income. A 1983 analysis using the Michigan State University model indicated that an increase in Public Law 480 programs would increase income on the farm. The study showed that a \$2 billion Public Law 480 program increase would result in an increase in net farm income by \$400 million. This Public Law 480 increase would also reduce government storage costs by \$18 million and increase federal tax revenues by \$64 million.<sup>90</sup>

An expansion of Public Law 480 programs also results in increasing future cash sales of agricultural exports. As the recipient nations develop, they move from concessional sales customers to cash customers. Public Law 480 plays a role in this development of the recipient country. The use of food aid can promote economic development by allowing a recipient country to save on foreign exchange, thereby permitting the country to use its scarce financial resources to purchase other imports needed for development.<sup>91</sup> Public Law 480 also provides the recipient country with a "quantity of a specified physical goods which can be sold, stockpiled, or distributed."<sup>92</sup> If the recipient country sells the commodities, the local funds generated can be used to promote employment growth for the unemployed or underemployed.<sup>93</sup> This increased income among the lower income people, "should in turn be reflected in an increased effective demand for food."<sup>94</sup> This increased demand for food should provide increased incentives for domestic food production, and in turn place pressure on the recipient government to increase the productivity of its agricultural sector.<sup>95</sup> In this way, food aid will "stimulate growth and promote market as well as agricultural development in recipient countries."<sup>96</sup> The final result should be that the recipient country will become a better commercial market and, in turn, will reduce its dependence on food aid.<sup>97</sup> There is a concern that food aid will create a dependence upon concessional imported food aid and depress domestic agricultural development. Through proper adminis-

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88. Walczak, *supra* note 49, at 567.

89. *Id.*

90. *Agricultural Trade Legislation*, *supra* note 80, at 84 (statement of E. Pryor, Pres., Nat'l Ass'n of Wheat Growers).

91. SPECIAL TASK FORCE REPORT, *supra* note 35, at 11.

92. *Id.*

93. *Id.*

94. *Id.* Recent studies in India of food purchases have shown that when the average family income rises by one dollar, more than fifty cents of the increased income is spent on food and fiber. *Id.* at 47.

95. *Id.* at 28. These recipient country producers could become competitors for the United States in some markets, but the anticipated growth of demand is expected to minimize the adverse effects upon United States agriculture. *Id.* at 49.

96. *Id.* at 11.

97. *Id.*

tration, which includes measures to increase employment for low income people and, hence, increase the demand for food, food aid should not depress domestic agricultural prices or production.

This move from concessional sales customers to cash customers was made by eight of eleven countries which involve our largest markets for agriculture products.<sup>98</sup> Developing countries now on the program and prospective recipient countries can also make that transition. Eventually these countries could become paying customers for the United States agriculture products as their economies expand.

Along with the decrease of Public Law 480 shipments, there has been a corresponding decrease in funding for these programs. For example, the funding for the Food for Peace program from 1968-1972 averaged \$2.817 billion. In 1983, the amount had declined to \$1.312 billion. This is a 53.5% decline. At the same time, total U.S. foreign aid declined by only 16.3%.<sup>99</sup> This indicates that food aid is falling behind in the foreign assistance effort. This seems strange, considering the fact that food aid provides an economic return in addition to its humanitarian effects. Through the use of Public Law 480, the hungry people of the world can be fed while giving the American farmer a new market.

Another problem which affects the amount of exports is the export credit. To increase exports an improved credit program is needed. Export credit is an important market development tool, but caution is required to avoid overextension of the debt by the recipient country.<sup>100</sup> Credit extension may not be the best policy if it overloads a country's debt carrying capacity.<sup>101</sup> It is also not in the best interests of the United States "if the effect is simply to rearrange trade flows so that its competitors take the more creditworthy or cash customers rather than to create real additionality."<sup>102</sup>

One way to improve the effectiveness of the export credit programs would be to streamline its administration. The Secretary of Agriculture has the primary responsibility for the administration of Public Law 480 programs<sup>103</sup> and this department attempts to use the credit programs of Public Law 480 to increase agricultural exports. Besides the Department of Agriculture, other agencies are involved with the administration of Public Law 480.<sup>104</sup> Every year these agencies, who have different priorities, take a little more control of these credit programs from the Department of Agriculture.<sup>105</sup> This complex administration results in less effective export credit because it "slows down clearances and results in other objectives diluting the usefulness of the pro-

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98. *Agricultural Trade Legislation*, *supra* note 80, at 66 (statement of Sen. Larry Pressler).

99. *Id.* at 83 (statement of E. Pryor, Pres., Nat'l Ass'n of Wheat Growers).

100. TRADE POLICY, *supra* note 60, at 289.

101. *Id.* at 280.

102. *Id.*

103. *Amendments*, *supra* note 63, at 89 (statement of J.S. Gabbert, Exec. Vice Pres., The Rice Millers' Ass'n).

104. Walczak, *supra* note 49, at 549.

105. TRADE POLICY, *supra* note 60, at 55.

grams."<sup>106</sup> To create a greater effectiveness in the export credit programs and the other programs of Public Law 480, the administration of all programs should be returned to the Department of Agriculture.<sup>107</sup> This streamlining would give exporters and recipient countries a more efficient and timely response when using the Public Law 480 programs.<sup>108</sup>

An added benefit of Public Law 480 has been the disposal of surplus farm products; therefore, it could be increasingly used to reduce the surplus instead of the supply control programs currently used for this purpose. The main problem with controlling production is that eventually the United States will lose its agriculture export market to the other agriculture commodity exporting countries.<sup>109</sup> The Farm Bureau supported the idea of less production control when they stated that "we believe that United States agriculture would benefit from less emphasis on payments for not producing farm products and greater emphasis on export marketing."<sup>110</sup> This shift from supply control to demand expansion could be used to overcome "the imbalance created by agricultural protection."<sup>111</sup>

Public Law 480 is a very complex Act with far-reaching economic and agricultural effects upon the United States and the recipient country. The primary goals of the Public Law 480 programs have shifted from expanding agricultural trade for United States agricultural commodities and disposing of surpluses, to the meeting of humanitarian needs and encouraging economic development in the recipient nation. Problems with Public law 480 have been encountered in several areas including: the inability of some recipient countries to repay their loans; the abuse of the Act for political advancement; extensive delays and inadequate funding; and inefficient administration of various programs, including credit. Despite these problems, Public Law 480 continues to have potential as an important tool for solving United States agriculture problems through increasing export markets and decreasing the surpluses.

## CONCLUSION

Public Law 480 has gradually shifted from an Act primarily concerned with United States agriculture to a primary emphasis on humanitarian and developmental purposes. It should be noted that the Act is named the "Agricultural Trade Development and Assistance Act of 1954" and not the "International Development and Assistance Act of 1954."<sup>112</sup> Public Law 480 was enacted primarily for the benefit of the American agriculture. Its basic pur-

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106. *Id.* at 29.

107. *See id.* at 29, 55.

108. *Id.* at 29.

109. *Id.* at 181.

110. *Agricultural Trade Legislation*, *supra* note 80, at 81.

111. V. SORENSON, *INTERNATIONAL TRADE POLICY: AGRICULTURE AND DEVELOPMENT* 117 (1975).

112. *Amendments*, *supra* note 63, at 88 (statement of J.S. Gabbert, Exec. V. Pres., The Rice Millers' Ass'n).

pose was to reduce the surpluses, bolster farm income, develop commercial markets for the American agriculture products, and to feed hungry people. In order to maximize the effectiveness of Public Law 480, it should be returned to these original purposes.<sup>113</sup> Only through this effective use of Public Law 480 can agriculture meet its greatest challenge—and its greatest opportunity—that of exports.<sup>114</sup>

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113. *Id.* at 89.

114. *Farm and Food Programs*, *supra* note 5, at 115 (statement J.B. Ross, Comm'r, Miss. Dep't of Agric. and Comm.).