



Food for Progress Report

Fiscal Year 2018



Cover Photo: Workers processing and grading cured and sun-dried vanilla pods for export under active Food for Progress in Timor-Leste. (USDA photo)

Table of Contents

I.	Introduction	3
II.	Eligible Commodities	4
	Table 1: Eligible Commodities in FY 2018 Solicitation for FFPr.....	4
	Table 2: FY 2018 Food for Progress Awards	5
	Table 3: FY 2018 Food for Progress Project Descriptions	5
III.	FY 2018 Rate of Return.....	6
	Table 4: Actual Rate of Return by Country and Commodity in FY 2018	6
a.	Factors influencing the Rate of Return	7
	Table 5: Explanation of Return Rates Below 70 Percent.....	9
b.	Other Costs	9
	Table 6: FY 2018 Bagging/Stacking Costs.....	10
	Table 7: FY 2018 Cost of Bags	10

I. INTRODUCTION

The Food for Progress Program (FFPr) was originally authorized by the U.S. Congress in the Food Security Act of 1985. Most recently, the program was re-authorized through fiscal year 2023 in the Agriculture Improvement Act of 2018 (2018 Farm Bill).¹ FFPr is intended to help developing countries and emerging democracies modernize and strengthen their agricultural sectors. U.S. agricultural commodities donated to recipient countries are sold on the local market, often referred to as monetization, and the proceeds are used to support agricultural, economic, or infrastructure development programs. FFPr has two principal objectives: to improve agricultural productivity and to expand trade of agricultural products. Past FFPr projects have trained farmers in animal and plant health, improved farming methods, developed road and utility systems, established producer cooperatives, provided microcredit, and developed agricultural value chains. Program participants have included private voluntary organizations (PVOs), foreign governments, universities, and intergovernmental organizations. U.S. Department of Agriculture's Foreign Agricultural Service provides a list of priority countries in its solicitation for project proposals each year. Organizations eligible to apply include foreign governments, intergovernmental organizations, PVOs, cooperatives, and nongovernmental organizations.

Funding for programmatic activities for FFPr awards is provided through the sale of U.S. agricultural commodities. In FY 2018, Commodity Credit Corporation funding provided 195,910 MT of commodities valued at \$92.2 million, and \$44.8 million of transportation and other non-commodity costs. Implementing partners commercially sell the donated U.S. commodities and use the proceeds to fund capacity building projects. Including the FY 2018 projects that are the subject of this report, there are 52 active projects in 31 countries valued at over \$1 billion. Together, these projects reached nearly 200,000 beneficiaries directly in FY 2018. Together, these projects reached nearly 200,000 beneficiaries directly in FY 2018. In FY 2018 FFPr projects facilitated over \$72 million in agricultural and rural loans. Access to finance is key to expanding inclusive participation in agricultural markets, contributing to increased production, expanded trade, and ultimately increased incomes. Following a change in the 2018 Farm Bill, colleges and universities will also be eligible for this award in FY 2019.

The 2018 Farm Bill, signed into law of December 20, 2018, included the following updated reporting requirements:

7 USC 1736o(j)(3)

(3) Report

Not later than April 1 of each fiscal year, the Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate-

- A. a list of programs, countries, and eligible commodities, and the total amount of funds for transportation and administrative costs, approved during the prior fiscal year under this section;*
- B. a description of the actual rate of return for each commodity made available under this section for the previous fiscal year including-*

¹ H.R.2 – Agriculture Improvement Act of 2018, <https://www.congress.gov/bill/115th-congress/house-bill/2/text> retrieved July 11, 2019

- I. factors that influenced the rate of return; and
- II. with respect to the commodity, the costs of bagging or further processing, ocean transportation, inland transportation, storage costs, and any other information that the Secretary determines to be necessary; and
- C. for each instance in which a commodity was made available under this section at a rate of return less than 70 percent, an explanation for the rate of return realized.

This document includes the reporting on the above sections (A), (B) and (C) in the following tables, figures, project descriptions, and narrative on the rate of return.

II. ELIGIBLE COMMODITIES

USDA develops the list of approved commodities for all food assistance programs in consultation with technical staff from the U.S. Agency for International Development. Currently, 60 commodities are approved for use in all USDA Food Assistance programs. Before USDA makes awards under Food for Progress, implementing partners are required to propose the commodities they will use from the approved list and demonstrate why they selected each commodity. Commodities may vary from year to year, depending on availability of U.S. produce. Below is a list of bulk commodities available primarily for commercial sales in FY 2018:

Table I: Eligible Commodities in FY 2018 Solicitation for FFPr

Commodity Group	Eligible Bulk Commodity
Wheat/Wheat Products	Wheat, Hard Red Winter (HRW)
	Wheat, Northern Spring (NS)
	Wheat, Soft Red Winter (SRW)
	Wheat, Soft White (SWW)
	Wheat, Dark Northern Spring (DNS)
	Wheat, Hard Red Spring (HRS)
	Wheat, Hard White (HWW)
Non-Wheat Grains	Corn, Yellow
	Rice Milled
	Sorghum
Cooking Oil	Oil, Soybean, Crude, Degummed (CDSO)
	Oil, Tallow, Yellow Grease
Non-Oil Soy Product	Soybean Meal (SBM)
	Soybean, Whole, Yellow

Table 2: FY 2018 Food for Progress Awards

Country	Organization	Allocated Commodity	Allocated Quantity (MT)	Obligated Commodity Cost (\$ millions)	Obligated Freight Cost (\$ millions)	Obligated Admin Cost (\$ millions)	Total Obligated Cost (\$ millions)
Egypt	Land O'Lakes International Development	Soybean Meal	19,360	8.71	3.31	0.81	12.83
Georgia	Land O'Lakes International Development	Wheat (HRW) & SBM	58,000	15.84	6.68	1.36	23.88
Cambodia	American Soybean Association	Soybean Meal	38,710	17.42	8.90	1.62	27.95
Philippines	ACDI/VOCA	Soybean Meal	36,390	16.38	7.64	1.19	25.21
LAC Regional*	TechnoServe	Crude Degummed Soybean Oil	43,450	33.89	10.26	3.00	47.15
Total			195,910	92.24	36.8	7.98	137.02

*Includes Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, and Peru.

Table 3: FY 2018 Food for Progress Project Descriptions

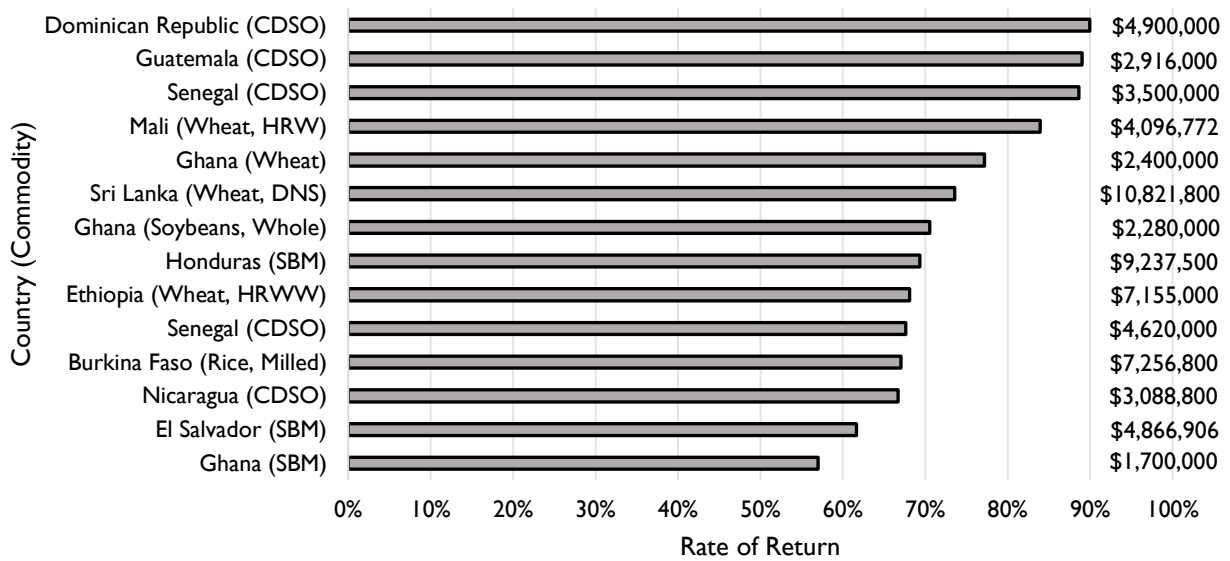
Country	Organization	Project Description
Egypt	Land O'Lakes International Development	This project is intended to expand the trade of agricultural products domestically, regionally, and internationally by building the capacity of key government institutions, improving knowledge of and training around food safety and management; it is intended to promote an improved policy and regulatory framework.
Georgia	Land O'Lakes International Development	This project is intended to increase agricultural productivity in the dairy and beef sectors and expand trade of agricultural products by improving food safety and quality, product innovation, and marketing across both public and private sector market participants.
Cambodia	American Soybean Association	This project is intended to increase agricultural productivity in the freshwater aquaculture industry through improved inputs and practices; it is intended to increase aquaculture trade in Cambodian, by both volume and value.
Philippines	ACDI/VOCA	This project is intended to increase coffee farm productivity in the Philippines by improving access to high-quality inputs, increasing adoption of good agricultural practices, and facilitating renovation of existing coffee farms. The project is intended to also strengthen research institutions and expand access to domestic and international markets for coffee producers.
Latin America Regional	TechnoServe	This project is intended to strengthen the cacao and coffee value chains within six countries in Latin America: Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, and Peru. Project is intended to help farmers to overcome the barriers that limit their capacity to effectively renovate their coffee and cacao plants to increase productivity, while improving their marketing capacity, incomes, and livelihoods within these key value chains.

III. FY 2018 RATE OF RETURN ON MONETIZATION

Table 4: Actual Rate of Return by Country and Commodity in FY 2018

Country	Commodity	Quantity (MT)	Commodity Cost (\$ Millions)	Freight Cost (\$ Millions)	Total Cost to USDA (\$ Millions)	Actual Proceeds (\$ Millions)	Rate of Return (%)
Burkina Faso	Rice, Milled	15,440	8.22	2.60	10.82	7.26	67.07%
Dominican Republic	CDSO	7,000	4.55	0.90	5.45	4.90	89.94%
El Salvador	SBM	13,200	6.06	1.83	7.89	4.87	61.67%
Ethiopia	Wheat, HRW	30,000	5.67	4.84	10.51	7.16	68.11%
Ghana	Soybeans, Whole	6,000	2.32	0.91	3.23	2.28	70.55%
Ghana	SBM	5,000	2.23	0.76	2.98	1.70	56.99%
Ghana	Wheat, HRW	10,000	2.36	0.75	3.11	2.40	77.19%
Guatemala	CDSO	4,000	2.72	0.56	3.28	2.92	89.03%
Honduras	SBM	25,000	11.27	2.05	13.32	9.24	69.34%
Mali	Wheat, HRW	15,000	2.97	1.91	4.88	4.10	83.95%
Nicaragua	CDSO	4,000	3.12	1.52	4.63	3.09	66.68%
Senegal	CDSO	6,000	4.59	2.24	6.83	4.62	67.65%
Senegal	CDSO	5,000	3.40	0.55	3.95	3.50	88.62%
Sri Lanka	Wheat, DNS	39,800	12.96	1.75	14.71	10.82	73.58%
Grand Total		185,440	72.44	23.15	95.59	68.84	
Rate of Return average on commodity sales in FY 2018							72.02%

Figure I: Sale proceeds and rate of return by Country and commodity in FY 2018



a. Factors Influencing the Rate of Return

The 2018 Farm Bill requires an explanation for instances when commodities monetized under FFP realized a rate of return less than 70 percent of the cost of the U.S. commodities sold abroad to obtain proceeds to fund FFP programs. Obtaining a Rate of Return² of 70 percent or more can, at times, be challenging when considering the commercial shipping and programmatic limitations.

There are a number of reasons why the proceeds from FFP monetization are substantially less than the cost to U.S. taxpayers. For example, commercially, FFP commodity sales attract limited market participation because sale tender requirements and financial exposure are much more demanding for international buyers than with more common, private suppliers, who can execute commodity sales contracts on credit terms with minimal financial commitments upfront. Additionally, the extended delivery requirements under USG procurement schedules force buyers to prolong financial exposure to fluctuations in the commodity market.

Attaining a rate of return of 70 percent also can be challenging in markets and regions where U.S. commodities are not price competitive. For example, in West Africa local buyers are accustomed to purchasing Asian rice (Thai, Vietnam, Myanmar) that generally trades on global markets at prices roughly 20-percent lower than U.S.-origin rice. Sale of U.S. rice under the FFP program allows local buyers to access higher quality U.S. commodities, but buyers are only able to participate at prevailing market rates. Competing sources—from Asian rice to Black Sea wheat to soybean or corn commodities from South America—have lower commodity and shipping costs, and, therefore, can offer lower price points to

² Rate of Return is the ratio of the proceeds the implementing partners generate through sale of commodities and the cost the U.S. government incurs to procure and ship those commodities to recipient countries.

international commodity buyers where programs are implemented in regions that are uncompetitive for U.S. commodities.

Ocean freight cost is also a significant component of costs to USDA, especially when factoring the cost of the U.S. Cargo Preference Act, which mandates that 50 percent of all commodities must be shipped on U.S.-flag vessels. U.S.-flag vessels have higher shipping rates on average than foreign-flag carriers, which lowers the rate of return.

Sales under Food for Progress are subject to requirements of Section 212 of the International Development and Food Assistance Act of 1977, commonly referred to as the Bellmon amendment. This provision of law requires a market analysis be conducted to ensure that distribution of the commodities in the recipient country would not result in a substantial disincentive to, or interference with, domestic production or marketing. A positive Bellmon determination, which also takes into account the availability of storage space in the recipient country, is required before the food assistance is made available. Requirements prevent projects from negatively impacting local markets and ensure storage space limit the volume of a given commodity that can be donated and sold but also limit the ability to economize with larger shipments.

Table 5: Explanation of Return Rates Below 70 Percent

Sale Date	Country	Commodity	Quantity (MT)	Commodity Cost (\$ million)	Freight Cost (\$ million)	Total Cost to USDA (\$ million)	Actual Project Proceeds (\$ million)	Rate of Return (%)
Nov 2017	Nicaragua	CDSO	4,000	3.12	1.52	4.63	3.09	67.68%
Explanation for Rate of Return below 70%: U.S.-flag freight accounted for 33% of cost to USDA.								
Nov 2017	Ethiopia	Wheat, HRWW	30,000	5.67	4.84	10.51	7.16	68.11%
Explanation for Rate of Return below 70%: U.S.-flag freight accounted for 46% of cost to USDA.								
March 2018	Senegal	CDSO	6,000	4.59	2.24	6.83	4.62	67.65%
Explanation for Rate of Return below 70%: Commodity monetized for \$770/MT, USDA subsequently purchased U.S. CDSO for \$765.44/MT and freight at \$372/MT. U.S.-flag freight cost accounted for 33% of entire cost to USDA.								
May 2018	Burkina Faso	Milled Rice	15,440	8.22	2.60	10.82	7.26	67.07%
Explanation for Rate of Return below 70%: Commodity monetized for \$470/MT, USDA subsequently purchased U.S. rice for \$532/MT. \$470 USD/MT offered on April 24, 2018 is comparable to imports of non-US origin rice.								
June 2018	El Salvador	SBM	13,200	6.06	1.83	7.89	4.87	61.67%
Explanation for Rate of Return below 70%: Spike in SBM prices due to trade/tariff speculations between commodity sale by implementing partner and subsequent purchase of commodity/freight by USDA. Commodity monetized for \$370/MT, USDA subsequently purchased U.S. SBM for \$445/MT.								
June 2018	Ghana	SBM	5,000	2.23	0.76	2.98	1.70	56.99%
Explanation for Rate of Return below 70%: Spike in SBM prices due to trade/tariff speculations between commodity sale by implementing partner and subsequent purchase of commodity/freight by USDA. Commodity monetized for \$340/MT; USDA subsequently purchased U.S. SBM for \$445/MT.								
June 2018	Honduras	SBM	25,000	11.27	2.05	13.32	9.24	69.34%
Explanation for Rate of Return below 70%: Spike in SBM prices due to trade/tariff speculations between commodity sale by implementing partner and subsequent purchase of commodity/freight by USDA. Commodity monetized for \$375/MT; USDA subsequently purchased U.S. SBM for \$498/MT.								

b. Other Costs

Commodity sales under FFP are structured as commercial transactions to private sector buyer(s). To limit costs to the USG, FFP sales tenders are solicited on a Cost and Freight (CFR) basis, meaning the title to the commodities passes to the buyers at the time the cargo passes the ship's rail at the U.S. Port of Origin. Under the CFR terms, the buyer is responsible for arrangements and costs in connection with the receipt, clearance, inland delivery, and storage of the cargo. Risk of loss also passes to the buyer at this pass in accordance with the CFR shipping terms. Thus, the buyer is responsible for insuring the donated commodities. Depending on the buyers or the receiving Port's capacity, commodity discharge terms are negotiated between the implementing partner(s) and buyer(s). On occasion, buyers request bagging/stacking as part of the freight discharge terms. These costs are detailed below.

Table 6: FY 2018 Bagging/Stacking Costs³

Cargo Preference Year	Recipient Country	Commodity	Total Tonnage (MT)	Booked Rate (per MT)	Ocean Rate (per MT)	Bagging Stacking (per MT)	Bulk Discharge Premium (per MT)	Freight Total Costs
2018	Burkina Faso	Rice, Milled	15,440.00	\$168.19	\$130.75	\$27.00	\$10.44	\$2,596,853.60
2018	Ethiopia	Wheat, HRW	15,000.00	\$213.60	\$192.10	\$10.70	\$10.70	\$3,204,000.00
2018	Ethiopia	Wheat, HRW	15,000.00	\$109.00	\$87.50	\$10.00	\$11.50	\$1,635,000.00

Table 7: FY 2018 Cost of Bags

Country	Material Description	Quantity	Supplier	Cost
Burkina Faso	BAGS, WOVEN POLYPROPYLENE- 50 KG	315,000	DL STONE, GARDEN RIDGE TX	\$106,129.99
Ethiopia	BAGS, WOVEN POLYPROPYLENE- 50 KG	612,000	AGRIBAG INC, HOUSTON TX	\$233,622.00
Total		927,000		\$339,751.99

³ Depending on the buyers or the receiving Port's capacity, commodity discharge terms are negotiated between the implementing partner(s) and buyer(s). On occasion, buyers request bagging/stacking as part of the freight discharge terms as was the case in Ethiopia and Burkina Faso.