Food for Progress Report

Fiscal Year 2019

Under a Food for Progress program in the Western Highlands of Guatemala, farmers have learned techniques to improve production, such as utilizing biofertilizers (photo on left), as well as strategies for more effective marketing (photo on right) Photos by USDA

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List of Abbreviations

AMS	Agricultural Marketing Service
CCC	Commodity Credit Corporation
CDSO	Crude Degummed Soybean Oil
CFR	Cost and Freight
DNS	Dark Northern Spring Wheat
FAS	Foreign Agricultural Service
FFPr	Food for Progress
FFP	Food for Peace
FNS	Food and Nutrition Service
FY	Fiscal Year
HRS	Hard Red Spring Wheat
HRW	Hard Red Winter Wheat
HWW	Hard White Wheat
KCCO	Kansas City Commodity Office
MT	Metric Tons
NCBA CLUSA	National Cooperative Business Association
NS	Northern Spring Wheat
PVO	Public Voluntary Organization
SBM	Soybean Meal
SRW	Soft Red Winter Wheat
SWW	Soft White Wheat
USAID	United States Agency for International Development
USC	United States Code
USDA	United States Department of Agriculture

I. INTRODUCTION

The Food for Progress Program (FFPr) was 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 has two principal objectives: to improve agricultural productivity and to expand trade of agricultural products. 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.

To fulfill its mandate under the Food for Progress Act of 1985, FAS enters into cooperative agreements with eligible organizations to implement field–based projects that aim to improve agricultural production and expand trade of agricultural products in developing countries. FAS published the FY2019 Notice of funding opportunity (see https://s3-us-west-2.amazonaws.com/instrumentl/grantsgov/314363.pdf) and proposes these FFPr Program guidelines in accordance with 7 CFR part 1499. Programs are primarily funded through the sale of U.S. commodities within the foreign market where the program is implemented. Some examples of past projects have included: training farmers in improved animal and plant production, establishing and building capacity of agricultural cooperatives, providing microfinance to farmers, and developing agricultural value chains. Program participants have included private voluntary organizations (PVOs), foreign governments, universities, and intergovernmental organizations. The United States Department of Agriculture's (USDA's) Foreign Agricultural Service (FAS) provides a list of priority countries in its solicitation for project proposals each year.

Sales of the commodities are conducted through an open public invitation to bid tender. Once the sale of the commodities is awarded to a buyer in a recipient country, tenders soliciting bids for the commodity and shipping freight are issued through the Commodity Credit Corporation (CCC). USDA's Agricultural Marketing Service (AMS), through its Kansas City Commodity Office (KCCO), oversees the procurement process and bidding. The guidelines for these procedures are contained in AMS' Master Solictiation for Commodity Procurements – International Food Assistance Program Purchases[2].

For FY 2019, FFPr awarded seven new projects that are scheduled to be implemented across fifteen countries. Through the CCC, the selected implementing partners will receive 261,944 MT of commodities, valued at $138.51 million, and $40.54 million to support ocean freight expenditures. Including the new FY 2019 projects, there are 38 active projects in 33 countries valued at approximately $900 million.

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[1] H.R.2 – Agriculture Improvement Act of 2018, https://www.congress.gov/bill/115th-congress/house-bill/2/text

[2] https://www.ams.usda.gov/sites/default/files/media/master_solicitation.pdf

During FY 2019, activites conducted by the 38 active projects reached over 401,000 direct participants. As a result of FFPr's work, 186,905 individuals applied improved agricultural management practices or technologies to 240,036 hectares. Access to working capital and credit are other significant components in expanding inclusive participation in agricultural sectors in emerging markets. Greater access to financing contributes to increased production, expanded international trade, and ultimately increased incomes. For FY 2019, FFPr activities facilitated access to over $131 million in finance for farmers and cooperatives by facilitating access to private market credit with agribusiness-management support and by directly providing loan facilities through project activities.

The 2018 Farm Bill, signed into law of December 20, 2018, included the following 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-*
    - *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 required under sections (*A), (B) and (C)* in the following tables, figures, project descriptions, and narrative on the rate of return.

II. ELIGIBLE COMMODITIES

Currently, 60 commodities are approved for use in all USDA international food assistance programs. USDA and the U.S. Agency for International Development (USAID) follow a joint process for the approval of new commodities to be eligible for use in U.S. international food assistance programs. The process is initiated when requesting entities (PVOs or private sector stakeholders) submit proposals to add a new commodity to the eligible commodity list. Once a proposal has been submitted, USDA and USAID collaborate to form a technical review panel comprised of relevant specialists from USAID's Office of Food for Peace (FFP), USDA AMS's KCCO, the Food and Nutrition Service (FNS), and FAS. If the panel confirms the appropriateness of the new commodity in food assistance programs, USDA works with the requesting entity to develop commodity specification documents and register vendors who are able to supply the commodity with all the necessary requirements. Before USDA makes awards under Food for Progress, implementing partners must propose the commodities they will use from the approved list and demonstrate why they chose the selected commodities through a monetization plan.

Commodities may vary from year to year, depending on availability of U.S. products and market conditions where the proposed monetization is set to occur. All bulk grain commodities monetized under FFPr programs must meet the grading standards detailed in the *Official United States Standards for Grain*[3]. Table 1 provides the subset of available bulk commodities approved for use in FFPr for FY 2019.

Table 1: Eligible Bulk Commodities for Use in FY 2019 Food For Progress

Commodity Group	Eligible Bulk Commodity
Wheat	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)
Other Coarse Grains	Corn, Yellow
	Sorghum
Non-Coarse Grains	Rice, Milled
Fats and Oils	Soybean Oil, Crude Degummed (CDSO) or Fully Refined
	Corn Oil , Crude or Refined
	Vegetable Oil
	Sunflower Seed Oil
	Tallow
	Yellow Grease
Non-Oil Soy Products	Soybean Meal (SBM)
	Soybeans, Whole, Yellow

Table 2 presents a breakdown of each of the FY 2019 award by country or regional grouping. The two regional awards pertain to projects in East and West Africa. All projects with the exception of Venezuela will begin monetization activities in FY 2020. The award for Venezuela was made contigent upon initiation of a democratic transition in that country. No monetization activities will transpire until that transition occurs. The funds for freight or purchasing the commodity will remain with CCC. Lastly, the amount of funding apportioned for ocean freight

[3] https://www.ams.usda.gov/sites/default/files/media/GrainGeneralProvisions.pdf

for the FY 2019 awards included an extra $6 million in addition to normal annual apportionment of $40 million, which will enable FFPr to support more extensive program activities.[4]

Table 2: FY 2019 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)
East African Community*	Land O'Lakes International Development	Wheat (DNS)	29,944	8.085	4.523	0.715	13.322
Ethiopia	Technoserve	Wheat (HRW)	41,000	10.660	5.535	1.199	17.394
Indonesia	NCBA/CLUSA	Soybean Meal	36,000	12.780	6.840	0.990	20.610
Paraguay	IESC	Wheat (DNS)	35,000	9.100	4.025	0.768	13.893
The Philippines	Winrock	Soybean Meal	23,000	8.050	4.370	0.881	13.301
West African Regional**	CNFA	Milled Rice	63,000	34.335	11.340	1.636	47.311
Venezuela	Pan-American Development Foundation	Wheat (HRW)	34,000	8.160	3.910	0.604	12.674
Totals* **			**261,944**	**91.170**	**40.543**	**6.795**	**138.507**

*Includes Burundi, Kenya, Rwanda, Tanzania, and Uganda
**Includes Benin, Burkina Faso, Cote D'Ivoire, Ghana, and Nigeria.
***Totals have been rounded to the nearest thousand dollars.

Table 3: FY 2019 Descriptions of New Food for Progress Projects

Country	Organization	Project Description
East African Community*	Land O'Lakes Venture37	This project is intended to expand the trade of agricultural products domestically, regionally, and internationally. The project will work to establish three centers of excellence laboratories as models for East African Community (EAC) countries. They will strengthen pest, disease, and contaminant surveillance and notification plans at the regional and domestic level to generate data necessary to perform risk assessments and establish risk-based measures. The project also aims to strengthen sanitary and phytosanitary (SPS) committees coordination and communication with the private sector and partner states and seeks to increase producer and consumer awareness of the importance of safe food and the harmful effects of low quality and/or counterfeit inputs on public health and trade.
Ethiopia	TechnoServe	This project is designed to increase productivity in the country's coffee industry by combining a conditional cash transfer program with an intensive farmer-oriented training in Good Agricultural Practices (GAP). The project seeks to encourage farmers to

[4] SEC. 743. There is appropriated $6,000,000 to the Commodity Credit Corporation, in addition to amounts otherwise made available, for section 1110(f)(3) of the Food Security Act of 1985 (7 U.S.C. 1736o(f)(3)). https://www.congress.gov/116/crpt/hrpt9/CRPT-116hrpt9.pdf

		rehabilitate depleted agricultural lands and renovate their operations. Overall, the project aims to improve the technical capacities and business practices of wet coffee mills and increase their ties to international traders.
Indonesia	National Cooperative Business Association	The goal of the project is to improve productivity and efficiency in three Indonesian spice chains, including black pepper, cinnamon, and vanilla by strengthening the marketing and processing capacities of farmers, cooperatives, and other private actors. In addition, the project will work to increase the trade of black pepper, cinnamon, and vanilla products by improving crop quality to meet international standards; connect farmers and cooperatives with spice traders in Indonesia and the U.S.; and enhance environmental resiliency and crop diversity.
Paraguay	IESC	The project is designed to simplify, modernize, and harmonize processes for the export, import, and transit of agricultural goods through implementation of the World Trade Organization's Trade Facilitation Agreement. The project will build the technical and managerial capacity of relevant market actors and institutions, including Paraguay's National Trade Facilitation Committee, government agencies, and local trade associations. The project will also provide necessary lab equipment and ICT systems and training. Overall, this project aims to expand regional and international trade in agricultural goods by reducing costs, facilitating the rapid release of goods in the inspection process, and increasing predictability in agricultural trade.
Philippines	Winrock	This project is designed to increase agricultural productivity by improving SPS standards in production and management of cold chain and supply chains. The project is also intended to expand trade of agricultural products by improving the Government of the Philippines' capacity to manage risk-based systems, promote awareness of biotechnology, improve regulatory standards and procedures, enhance domestic and export market linkages, and expand the capacity of the private sector to leverage investment.
West African Regional**	CNFA	The project aims to increase the productivity of the contributors to the cashew value chain in Benin, Burkina Faso, Cote 'd Ivoire, Ghana, and Nigeria. The project intends to strengthen the capacities of cooperatives/producer groups, nursery systems, input suppliers, and data collection and dissemination systems to record outputs and apply science-based practices. The project will work to expand access to trade markets by improving crop quality, rehabilitating low productivity orchards, and working to harmonize regional policies.
Venezuela	Pan-American Development Foundation	This project will be permitted to go forward when there is a formal change of the current administration and the new government is recognized by the U.S. Government. Once the project is authorized to proceed, it will focus on revitalizing the country's depleted agricultural sector. The project will target local food production and restoring production to assist in providing basic sustenance to the population. The project will target the country's agricultural value chains, including production, processing, marketing, distribution, and retail.

*Includes Burundi, Kenya, Rwanda, Tanzania, and Uganda
**Includes Benin, Burkina Fasio, Cote D'Ivoire, Ghana, and Nigeria.

III. FY 2019 MONETIZATION ACTIVITY SUMMARY

In FY 2019, a total of 15 shipments of U.S. commodities were made to 12 countries. The commodities included crude degummed soybean oil (CDSO), milled rice, soybean meal, hard red winter wheat, hard spring wheat, and yellow grease. Across all shipments, the combined tonnage totaled 215,135.21 MT. U.S. producers of these commodities received $103.91 million. Total shipping expenditures, including associated shipping costs of bagging, stacking and discharge, amounted to $38.35 million, and net proceeds from monetized sales amounted to $100.67 million, which resulted in an average rate of return of 70.8 percent.

Table 4: FY 2019 Summary of Monetization Activity by Commodity

Commodity	Quantity (MT)	Commodity Costs	Freight Costs	Total Costs	Monetization Proceeds	Rate of Return (%)
Soybean Meal (SBM)	49,290	$18,121,918	$7,870,378	$25,992,295	$17,582,213	67.6%
Cruded Degummed Soybean Oil (CDSO)	87,920	60,659,209	18,315,557	78,974,766	56,802,718	71.9%
Rice, Milled Bulk	25,325	11,621,880	4,144,251	15,766,131	9,748,200	61.8%
Wheat (HRW/HRS/DNS)	51,540	12,759,945	7,859,739	20,619,685	15,867,100	77.0%
Yellow Grease	1,060	743,060	158,981	902,041	667,800	74.0%
Totals*	215,135	103,906,012	38,348,906	142,254,918	100,668,031	70.8%

*Totals reflect rounding to nearest whole number.

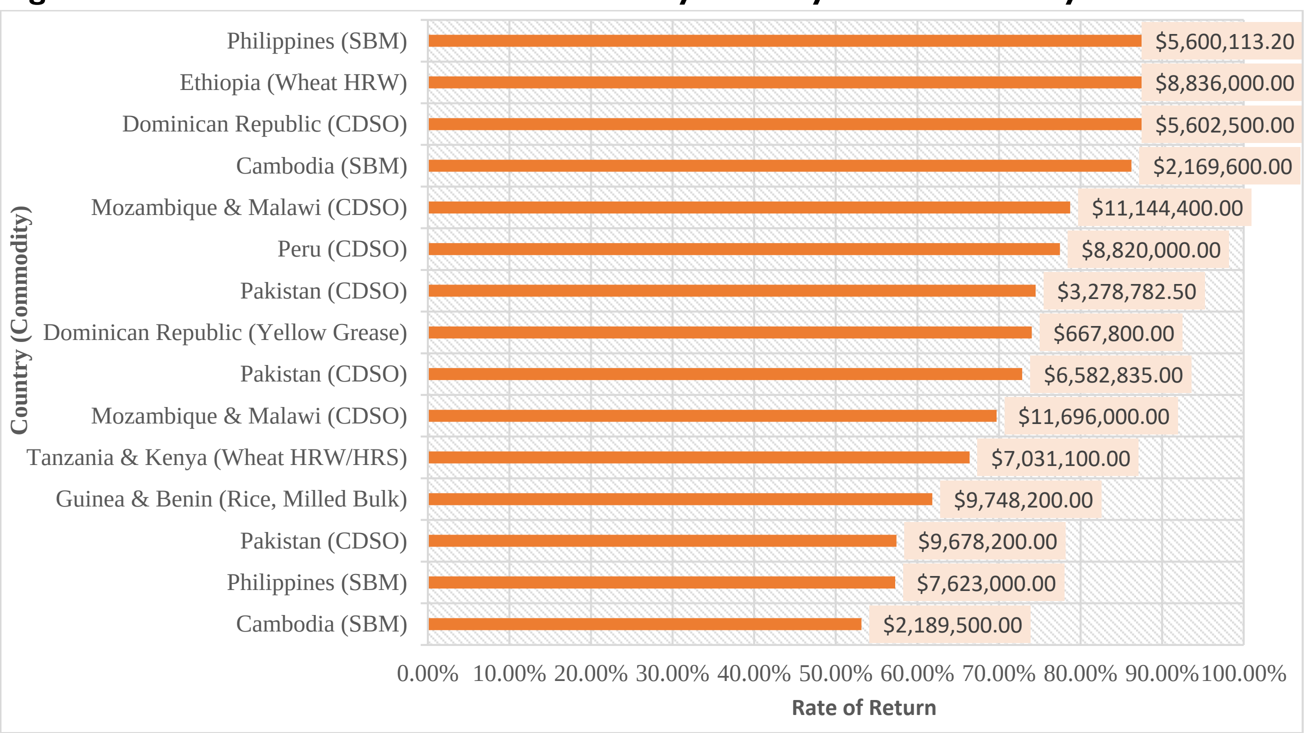
Table 5: FY 19 Monetization Rates of Return by Country and by Shipment

Country	Shipment Approval Date	Commodity	Quantity (MT)	Commodity Cost ($ Millions)	Freight Cost ($ Millions)	Total Cost to USDA ($ Millions)	Actual Proceeds ($ Millions)	Rate of Return (%)
Cambodia	6/12/2019	SBM	6,500	$2.51	$1.6	$4.12	$2.19	53%
Cambodia	9/4/2019	SBM	6,400	2.20	0.32	2.51	2.17	86%
Dominican Republic	7/16/2019	CDSO	8,300	5.65	0.73	6.37	5.6	88%
Dominican Republic	7/22/2019	Yellow Grease	1,060	0.74	0.16	0.9	0.67	74%

Ethiopia	12/11/2018	Wheat, HRW	25,000	5.77	4.26	10.03	8.84	88%
Guinea & Benin	2/6/2019	Rice, Milled	25,320	11.62	4.14	15.77	9.75	62%
Mozambique & Mali	10/10/2018	CDSO	17,200	11.86	4.93	16.78	11.70	70%
Mozambique & Mali	9/17/2019	CDSO	17,200	12.29	1.86	14.16	11.14	79%
Pakistan	11/7/2018	CDSO	15,610	10.49	6.36	16.85	9.68	57%
Pakistan	8/28/2019	CDSO	10,420	7.44	1.59	9.03	6.58	73%
Pakistan	9/17/2019	CDSO	5,190	3.84	0.56	4.40	3.28	75%
Peru	5/8/2019	CDSO	14,000	9.09	2.29	11.38	8.82	78%
Philippines	6/12/2019	SBM	21,000	8.13	5.18	13.31	7.62	57%
Philippines	9/4/2019	SBM	15,390	5.28	0.77	6.05	5.6	93%
Tanzania & Kenya	10/31/2018	Wheat, HRW/HRS	26,540	6.99	3.60	10.59	7.03	66%
Grand Total*			**215,130**	**103.9**	**38.35**	**142.25**	**100.67**	**71%**
	Rate of Return average on commodity sales in FY 2019							**71%**

* Total and rate of return reflects rounding

Figure 1: Sale Proceeds and Rate of Return by Country and Commodity FY 2019



Factors Influencing the Rate of Return

The 2018 Farm Bill requires an explanation for instances when commodities monetized under FFPr realize a rate of return less than 70 percent of the cost of the U.S. commodities sold abroad to obtain proceeds to fund FFPr programs. Obtaining a rate of return[5] of 70 percent or more can be challenging when considering the commercial shipping and programmatic limitations, including limitations of statutory authority.

In some cases, attaining a rate of return of 70 percent can be difficult in overseas markets where U.S. commodities face significant price competition from other foreign suppliers. For example, local buyers in West Africa import rice primarily from suppliers in Asia (India, Myanmar, Thailand, and Vietnam) that usually trades on global markets at prices more than 20 percent lower than U.S.-origin rice. In the case of India, the country's rice export prices can be as much as 40 percent lower than U.S.-origin rice. Sales of U.S. rice under the FFPr program allow local buyers to access higher quality U.S. commodities, but buyers are frequently reluctant to purchase at prices far above prevailing market rates. Competing sources across different commodities, from Asian rice to Black Sea wheat to South American soybean and corn products, often incur lower commodity and bulk shipping costs, and therefore, can offer lower price points to international commodity buyers as opposed to U.S. commodities.

Finally, ocean freight cost is a significant component of costs to FFPr programs. A driver of these costs is USDA's obligations under the U.S. Cargo Preference Act, which mandates that 50 percent of all commodities be shipped on U.S.-flag vessels. U.S.-flag vessels generally have higher shipping rates than foreign-flag carriers, which in turn can be a substantial share of the total cost and thus lower the rate of return.

Sales under FFPr 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 legal provision requires a market analysis be conducted to ensure that the distribution of the commodities in the recipient country will 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 any monetization activity of food assistance shipments can occur. These two factors can limit the size and frequency of the shipments, which thus limits FFPr's ability to capture cost efficiencies through greater economies of scale. In some cases, monetization activities must be extended over two or three fiscal years to accommodate the Bellmon determination and to generate the necessary proceeds to support an implementing partner's project budget. By limiting the ability to maximize cargo space on ocean vessels, the increased number of shipments raises the operating costs to the program and lowers the average rate of return.

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

Table 6: 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 (%)
Oct 2018	Mozambique/Malawi	CDSO	17,200	$11.86	$4.93	$16.78	$11.70	69.72%
Explanation: U.S.-flag freight accounted for 29% of the cost to USDA or more than $285/MT vs. 13% for foreign flag.								
Oct 2018	Tanzania & Kenya	Wheat (HRW/HRS)	26,540	6.99	3.60	10.59	7.03	66.40%
Explanation: U.S.-flag freight accounted for nearly 34% of cost to USDA or more than $135/MT.								
Nov 2018	Guinea & Benin	Rice Milled Bulk	25,320	11.62	4.14	15.77	9.75	62.54%
Explanation: Commodity monetized for $385/MT, USDA subsequently purchased U.S. rice for $459/MT. Half of the shipment went on a U.S. flagged vessel at a rate of $214.63/MT compared to $98.49/MT for the foreign-flagged vessel.								
Nov 2018	Pakistan	CDSO	15,610	10.49	6.36	16.85	9.68	57.44%
Explanation: Commodity monetized for $620/MT, USDA subsequently purchased U.S. CDSO for $672/MT. A new tariff limited the number of bidders and resulted in a lower sale price. Freight was 100% U.S.-flagged and represented more than 37% of the total cost.								
Apr 2019	Philippines	SBM	21,000	8.13	5.18	13.31	7.62	57.46%
Explanation: Commodity monetized for $363/MT. USDA subsequently purchased the U.S. SBM for $385.07/MT. Competition from Argentina pushed down bid offers. Shipped entirely on a U.S. flagged vessel at rate of $246.72/MT, over 39% of the total costs. The freight cost for the shipment that went foreign flag was just over $50/MT.								
Apr 2019	Cambodia	SBM	6,500	2.51	1.60	4.12	2.19	53.15%
Explanation: Commodity monetized to two separate purchasers at $327/MT and $343/MT. The U.S. SBM was purchased at a price of $385.15. Competition from South America drove down bid offers for the purchase of the SBM. Freight was 100% U.S.-flagged at a rate $246.72/MT, 39% of the total costs. The compares to $50/MT for freight on foreign flag ship.								

Other Costs

Commodity sales under FFPr are structured as commercial transactions to private sector buyers. To limit internal transport, shipping, and handling costs to the U.S. government, FFPr 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 point in accordance with the CFR shipping terms. Thus, the buyer is responsible for insuring the donated commodities. Depending on the buyer's or the receiving port's capacity, commodity discharge terms are negotiated between the implementing partner(s) and buyer(s). On occasion, buyers request bagging and stacking as part of the freight discharge terms. The costs for the bags for these commodities is separate from ocean freight expenditures. The costs of bagging and stacking, however, as well as bulk discharge premiums, are included in total freight expenditures. Tables 7 and 8 summarize these respective costs.

The final remaining monetization expenses pertain to carrying charges and issuing phytosanitary certificates. Carrying charges involve expenses incurred by the commodity supplier due to an ocean carrier's failure to meet the loading requirements stipulated in the freight tender offer. In these events, CCC submits an invoice to the ocean carrier for reimbursement of the charges. For FY 2019, CCC invoiced a total of $87,820.33. Phytosanitary certificates, which are required for most exported agricultural food and feed products, including bulk grains amounted to $1,342.00 for FY 2019.

Table 7: FY 2019 Cost of Bags

Country	Material Description	Quantity	Cost
Ethiopia	BAGS, WOVEN POLYPROPYLENE- 50 KG	510,000	$188,037.00
Guinea-Benin	BAGS, WOVEN POLYPROPYLENE- 50 KG	518,000	177,969.48
Total		**1,028,000**	**366,006.48**

Table 8: FY 2019 Other Shipping Costs[6]

Recipient Country	Commodity	Total Tonnage (MT)	Bagging & Stacking (per MT)	Bulk Discharge Premium (per MT)	Total Additional Shipping Costs
Ethiopia	Wheat, HRW	17,500.00	$8.00	$10.00	$315,000.00
Ethiopia	Wheat, HRW	7,500.00	7.20	10.30	131,250.00
Guinea-Benin	Rice, Milled Bulk	12,660.00	10.00	0.00	126,600.00
Guinea-Benin	Rice, Mulled Bulk	12,660.00	11.50	17.25	363,975.00
Total Other Shipping Costs					**936,825**

[6] This table includes instances of added shipping costs, outside of the ocean transportation segment, such as bagging, stacking, and bulk discharge costs. These discharge costs are for certain commodities in certain markets. 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 and stacking as part of the freight discharge terms as was the case in Ethiopia and Guinea.