

*This is the second of two documents written in April and May of 1975 to develop the idea of a Food Bank to deal with the situation of global hunger and based on the use of wheat as the single commodity. The group that met regularly to develop this idea included Art DeFehr (the current writer), John Wieler of MCC (Canada), Dave Durksen from the grain industry and Prof Len Siemens of the University of Manitoba. In the initial stages the term "Food Bank" was used and we were advised the name was legally available. MCC later decided that the term reflected too much ambition and decided on the term "Foodgrains" instead of "Food". These two documents were based on some different initial premises than the current Canadian Foodgrains Bank but many of the core ideas including a major role for the Wheat Board and CIDA were anticipated. The CFGB has developed into a multi-church NGO and has delivered over 600 million dollars of food or food-related assistance to many parts of the world since its inception.*

## PROPOSAL FOOD BANK May, 1975

### PREAMBLE

Major events of our civilization come into focus only when the brush of the historian takes a jumble of disparate scenes and events and finds the logic which unites them. Our problem is that we always try to create the finished product rather than concentrate on the scene and event that history has assigned to us.

The time-bomb of exploding populations and shrinking food resources has been with us for decades, but efforts are always directed toward a grand and final solution rather than to the development of ideas and mechanisms within the capability of each interested party. Eight ideas for a World Food Bank have been proposed and all have been talked to death. We don't need a ninth – we rather need ideas which can be carried out.

A series of smaller programs, testing of mechanisms, exploding of myths will provide a framework for a greater solution. Let's paint our corner of the canvas where we are!

## INTRODUCTION

The rapidly rising populations of our world, the shrinking resources especially in the realm of renewable energy and virgin lands, together with the lack of political will, have brought the specter of a massive world famine into focus. The increasing pressures result in a decreased resiliency to withstand other disruptive situations created by factors such as abnormal weather patterns, the increasing dependency on a capital-based economy, spiraling inflation, and the political maneuverings of various political entities. And then there is the pressure of time. With every passing day, the complexities are increased, as well as the potential disasters.

The inter-relatedness of world problems will call for inter-related solutions. Solutions, however, will not come in complete packages. Problems will need to be broken down into their smaller components. Attention will need to be given to both short and long-range solutions, both on micro and macro scales.

It will take time, as well as an earnest commitment on the part of the world community, to develop long-range solutions. In the meantime, immediate short-range answers are urgently needed. The production of food should be stepped up to a maximum, especially in those countries which have the immediate ability to do so. Because food production is governed by economics rather than by need, the stepping up of production is currently almost entirely dependent on the immediate markets. The preparedness for emergencies, such as predictable famines, is lacking. As in the days of the Pharaohs, a Joseph concept is urgently needed.

While it is agreed that Buffer stocks on an international scale are badly needed, the failure to reach an agreement by the various nations has resulted in the failure to accomplish. National governments of food-producing and exporting countries have also been urged to create similar reserve stocks. This has been proposed on the Canadian scene as well, but to date this also has not been realized. It is here proposed that a relatively modest Food Bank be established to serve both as a model and a pilot project, but also to serve specific needs in a defined program. It is hereby proposed that Mennonite Central Committee assume responsibility for a Food Bank. It is especially important that, in tackling food problems, an agency with overseas experience and direct responsibilities gives leadership and takes prime responsibility in this venture. A simple model will be used to begin this program.

The purpose of the Food Bank is to stockpile food specifically designated for humanitarian purposes. It is not intended to increase welfare dependency. It is designed to assist those in dire need at specific times that do not have the ability to pay. It is designed for the creation of Buffer stocks, as well as the facilitating of the ongoing aid programs. Wherever possible, the Food Bank should facilitate development of local production in areas of need to reduce dependence on food aid.

## ASSUMPTIONS

The plan for the Food Bank is based on the following assumptions:

1. That there is genuine concern for the physical needs of persons living in deprived areas, and that the life of the persons will be dependent on food aid.
2. That this is a concern of our government and its agencies, but that the government is limited in its response due to political and diplomatic restrictions at home and abroad.
3. That this is a vital concern to all serious Christians, and that these would be willing to give their wholehearted support to meeting the needs of the hungry.
4. That a large sector of the Canadian society, in addition to the church, takes a compassionate view of the needs of others and is willing to give its support to the needs of the hungry.
5. That a significant number of primary food producers are willing to participate in a direct way to make food available to those in need at a special price.
6. That relief and development agencies are willing to participate in meaningful and constructive ways to utilize, handle, and direct available foods to required destinations.
7. That hungry people will welcome food at the time of need if given unconditionally or conditions for their own benefit.
8. That governments of recipient countries accept and welcome aid if given in a dignified manner, in a spirit that seeks the best for their people without taking unfair advantage of distress situations to further ulterior objectives.
9. That the capabilities of actual assistance are present in Canada, and that the possibility of providing food is real.

## II: SUMMARY AND CONCLUSIONS

The Food Bank is intended as a pilot project to test the concept of banking food – initially wheat – and using this supply to meet genuine emergency needs and to support longer-term problem areas where appropriate. The program will begin with procurement and follow through to international distribution so that all problem points can be identified. The program would consist of the following elements:

1. The procurement price for wheat would be fixed annually to reflect the full cost of wheat production. The base price used for 1975 projections will be \$2.50 per bushel.
2. Interested farmers would sign a Food Bank contract in advance for either a specific quantity or a portion of their crop to be supplied at the fixed price.
3. A central Food Bank office would be established to handle these contracts and all other business of the program.
4. After harvest, the farmer would confirm that the contracted quantity is available for delivery, or where the quantity was flexible, would indicate the quantity available.
5. The Food Bank would then make payment according to the terms of the contract.
6. The farmer would either – a) agree to store the grain on his farm and receive a modest storage payment or – b) the grain would be stored in central locations.
7. When required, the grain would be called for and the farmer would deliver it to his nearest elevator in care of the Wheat Board. Special arrangements would be made with the Wheat Board that this quantity of grain is credited to the Food Bank.
8. Through special arrangement, the Food Bank would request that an equivalent amount of grain be made available at a suitable port for shipment overseas. Domestic transport costs would be reimbursed to the Wheat Board.
9. The wheat would be shipped to designated programs, agencies or governments where the criteria of need and distribution were met.
10. Wheat would be procured in excess of annual requirements to create a reserve for particularly severe emergencies or assist in the event of a prolonged shortage.

The Food Bank should be established on the basis of a 5 year period to allow adequate development of the techniques and to test the appropriateness of this form of response. The target scale of procurement operations will be 1,000,000 bushels per year with a target reserve of 2,000,000 bushels. On a five year basis this will require total financial support of \$17,875,000.00.

## III. BACKGROUND

Mennonite Central Committee (MCC) has been involved with emergency food distribution for over 50 years in South Russia, post-war Europe, North Africa, Middle East, Central and South America and Asia. Recently the emphasis has shifted toward solutions directed at the underlying problems of population technology, education and rural development. Food aid programs have become international lepers because of the questionable motives of the donors and the erratic performance of the recipients.

Food assistance becomes entangled in a host of economic, emotional and national issues with the net result that there are few coherent programs. MCC believes that ideas need to be reduced to their essential elements and to the point of simplicity where they can be carried through. Instead of carrying on with disconnected efforts of questionable value, more effort should be put into the development of mechanisms and models which will lead the way out of this jungle. The Food Bank is proposed as once such idea.

#### IV. ORGANIZATION

MCC represents a constituency which is deeply involved in food production and is concerned about the moral implications of our national food policy. MCC also has substantial international experience in food distribution and in rural development. For these reasons it is suggested that MCC assume the initial sponsorship of the Food Bank. A Board of Directors would be appointed to direct the Food Bank, but the ultimate responsibility would be with MCC (Canada).

##### A) Board of Directors

The composition of the Board must reflect the various interests and elements of the supporting constituency, but more than anything, it must be a strong and effective group which can deal with the operating problems. The Board should be composed of from 7-10 people and represent the following skills and interests:

- MCC (Canada)
- Farmer representatives from Manitoba, Saskatchewan, and Alberta
- Grain industry experience
- Agricultural Economics
- Overseas experience
- Financial Management

These skills may overlap in some individuals but should all be represented on the Board.

##### B) Program Structure

- Executive Director – a person of substantial experience in the grain industry and sympathetic to the wider aims of MCC and the Food Bank project.
- Director of Distribution – A person with overseas experience should do the field work necessary to determine needs, to check out requests and to arrange for distribution.
- Accounting and clerical help as required.

##### C) Local Food Bank representatives

The actual solicitation of contracts will be done by volunteer representatives who would work in their local area. This would involve grain farmers who have the time available during the winter season. Their goal would be to:

- Interpret program locally
- Identify interested farmers
- Write contracts

V. WHEAT PROCUREMENT AND HANDLING

A) Procurement

The target for procurement is estimated as follows for budget purposes:

<u>Year</u>	<u>Bushels</u>
1975	500,000
1976	1,000,000
1977	1,000,000
1978	1,000,000
1979	1,000,000

If approval can be granted quickly, the program can be activated immediately. Since it does not appear likely that there will be a wheat shortage in 1975, a target of 500,000 bushels is not unreasonable. Although the major effort will be made in areas with large Mennonite populations, it is not the intention to restrict the response to any particular group of farmers.

B) Storage

Many farmers can handle modest quantities of grain and would be happy to do so for a storage fee of approximately 1 cent per bushel per month. A second possibility is the five regional elevators owned by the Federal Government which have historically been underutilized.

C) Grain Management

The Wheat Board will be approached to provide the critical link between the local elevator and the port. An essential aspect of this project is to test the existing institutions and to adopt their methods toward a non-commercial approach to the handling of food. It is anticipated that the Wheat Board will be helpful in making this project a reality.

VI. INTERNATIONAL DISTRIBUTION

The record of distribution will undoubtedly be the criteria by which the effectiveness of the Food Bank will be judged. This is the main reason for limiting the scale of procurement to 1,000,000 bushels per year, allowing the experience and expertise in distribution to develop over a reasonable period of time. A specific set of criteria will be developed to guide the decision process about the use of the grain reserve. In general the following kind of situations will be considered:

- Disasters, natural or man-made.
- Supplemental aid in areas where there is a long-term problem.
- Stimulants to development either as food-for-work projects or to generate local cash to fund development programs.

Every effort would be made to prevent competition with existing commercial channels for grain or with aid available under any other bilateral or multilateral program. Two of the major problems with food aid is that in certain portions of the supply cycle, during a period of shortage, grain is simply unavailable on any terms. The emergency areas

usually lack the purchasing power or bargaining power to gain access to scarce suppliers. A second major impediment to the movement of food is the availability of foreign exchange. Thus food is distributed on the basis of purchasing power rather than need. It is our explicit assumption that a portion of the world's grain movement must be directed on a basis other than purchasing power.

The overseas distributing agency will be a prime element in this program. It is assumed that the projected scale of operations can be accomplished by utilizing existing programs or contracts of MCC or other church or humanitarian agencies. It is possible that foreign governments may also become involved if their distribution program is in accord with the Food Bank criteria. The ability to bypass government distribution channels is one of the goals of a private Food Bank since the food emergencies are often related to political realities which prevent aid from reaching the target group through official channels.

## VII. GRAIN BANKING

This program assumes that food shortages on a local or international scale will be a recurring problem and may in fact become endemic. Periods of surplus production coincide with low prices, lack of supplies, and a cutback in aid. Emergencies in other parts of the world seldom coincide with the time of great supply so that if these needs are to be met consistently, the availability of grain for these purposes must be planned to be available on reasonable terms at all points in the cycle.

Our Food Bank model assumes level procurement in all years, with the role of shipments fluctuating according to need. If a reserve of twice or thrice annual procurement is established, this means that very substantial shipments could be made in years similar to 1973, while no shipments need to be made in a year of surplus.

From a program point of view it is suggested that a portion of annual procurement, say 25%, be budgeted for long term supplemental or development support to keep the contacts, the organization and the system as such in smooth operating condition. The balance of shipments should be sporadic based on unusual circumstances.

		<u>PROCUREMENT AND SHIPPING PROJECTIONS</u>				
		1975	1976	<u>1977</u>	1978	1979
Procurement (bushels)		500,000	1,000,000	1,000,000	1,000,000	1,000,000
Shipments		100,000	300,000	500,000	700,000	900,000
Annual Surplus		400,000	700,000	500,000	300,000	100,000
Reserve (Bushels)		400,000	1,100,000	1,600,000	1,900,000	2,000,000

## VIII. BUDGET

The budget is based on the procurement level of 500,000 bushels in 1975 and 1,000,000 bushels per year thereafter. The following cost assumptions have been made:

	1975	1976	1977	1978	1979
Cost per bushel	\$ 2.50	\$ 2.63	\$ 2.76	\$ 2.89	\$ 3.04
Storage /Bushel / month	0.01	0.01	0.01	0.01	0.01
Transport to Port / bushel	0.40	0.42	0.44	0.46	0.48
Ocean Freight / bushel	\$ 2.00	\$ 2.10	\$ 2.21	\$ 2.32	\$ 2.44

The above estimates are based on an inflation factor of 5% per annum compounded.

The Ocean Freight estimates are a compromise between the \$1.00/bushel minimum for a shipload of 300,000 bushels, and the \$4.00/bushel which a smaller shipment could cost.

	FINANCIAL PROJECTIONS					
	1975	1976	1977	1978	1979	5 year Total
Procurement (Bushels)	500,000	1,000,000	1,000,000	1,000,000	1,000,000	4,500,000
Procurement Cost	\$ 1,250,000.00	\$ 2,630,000.00	\$ 2,760,000.00	\$ 2,890,000.00	\$ 3,040,000.00	\$12,570,000.00
Shipments (Bushels)	100,000	300,000	500,000	700,000	900,000	2,500,000
Balance in Reserve	400,000	1,100,000	1,600,000	1,900,000	2,000,000	-----
Storage Costs (\$0.12 / bushel per year)	\$ 48,000.00	\$ 132,000.00	\$ 192,000.00	\$ 228,000.00	\$ 240,000.00	\$ 840,000.00
Transport to Port	\$ 40,000.00	\$ 126,000.00	\$ 220,000.00	\$ 322,000.00	\$ 432,000.00	\$ 1,140,000.00
Ocean Freight	\$ 200,000.00	\$ 630,000.00	\$ 1,105,000.00	\$ 1,624,000.00	\$ 2,196,000.00	\$ 5,755,000.00
Total Grain and Movement costs	\$ 1,538,000.00	\$ 3,518,000.00	\$ 4,277,000.00	\$ 5,064,000.00	\$ 5,908,000.00	\$ 20,305,000.00

ADMINISTRATIVE EXPENSES AND REVENUE						
The goal would be to make the Food Bank self-financing by allowing it \$ .10 per bushel based on procurement.						
	1975	1976	1977	1978	1979	Total
Revenue	\$ 50,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 450,000.00
<b>Expenses</b>						
Salaries	\$ 23,000.00	\$ 59,000.00	\$ 62,000.00	\$ 65,000.00	\$ 68,000.00	\$ 277,000.00
Office	\$ 12,000.00	\$ 13,000.00	\$ 14,000.00	\$ 15,000.00	\$ 16,000.00	\$ 70,000.00
Travel	\$ 12,000.00	\$ 13,000.00	\$ 14,000.00	\$ 15,000.00	\$ 16,000.00	\$ 70,000.00
<b>Total Expenses</b>	<b>\$ 47,000.00</b>	<b>\$ 85,000.00</b>	<b>\$ 90,000.00</b>	<b>\$ 95,000.00</b>	<b>\$ 100,000.00</b>	<b>\$ 417,000.00</b>
Operating Revenue	\$ 3,000.00	\$ 15,000.00	\$ 10,000.00	\$ 5,000.00	-----	\$ 33,000.00
Total Administrative Budget	50,000	100,000	100,000	100,000	100,000	450,000
<b>SUMMARY OF FOOD BANK BUDGET</b>						
	1975	1976	1977	1978	1979	5 Year Total
Procurement & Movement	\$ 1,538,000.00	\$ 3,518,000.00	\$ 4,277,000.00	\$ 5,064,000.00	\$ 5,908,000.00	\$ 20,305,000.00
Administrative	\$ 50,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 450,000.00
<b>TOTAL BUDGET</b>	<b>\$ 1,588,000.00</b>	<b>\$ 3,618,000.00</b>	<b>\$ 4,377,000.00</b>	<b>\$ 5,164,000.00</b>	<b>\$ 6,008,000.00</b>	<b>\$ 20,755,000.00</b>

## IX. SOURCE OF FUNDS

The international banking of grain is a project beyond private charitable capacity. The role of the church and other humanitarian organizations at times is to take actions which stimulate a more moral and humane response on the part of the national governments and international institutions. If the Food Bank succeeds in procuring wheat at the \$2.50 per bushel cost, it will have actually succeeded in stimulating a donation from \$1.00 to \$2.00 per bushel from the farmer when compared to the normal Wheat Board price. This means that a private contribution of \$5,000,000 to \$10,000,000 is assumed in the projections.

The role of MCC is that of catalyst and organizer rather than that of funding. For this reason it is suggested that this project become a part of national policy on a model scale by requesting complete funding from the Canadian International Development Agency (CIDA). It is imperative that the program be funded on a full 5 year basis rather than in piece-meal fashion. If the program is to gain credibility and to attract highly qualified staff, it will require planning beyond the current year.

We believe that the Food Bank idea is entirely consistent with the objectives of CIDA and the Canadian Government.

## X. FURTHER OBJECTIVES

- A) Expansion: If the program works well it is conceivable that it will be desirable to expand the scale of operations to include higher procurement and shipping levels, or larger reserves, or both.

- B) Co-operation: There is considerable interest among other voluntary agencies in the concept of a planned approach to the distribution of food. After testing the procedures, the Food Bank could be expanded to include participation by other voluntary agencies either in the procurement of grain, distribution or by operating parallel reserves for their use.
- C) Other Commodities: A great variety of items in addition to wheat could be handled in a similar method. Those could include rice, oil seeds, soybeans, raisins, beans, corn, powdered milk and many others. The success of the initial project could stimulate parallel developments in other commodities or the expansion of the Food Bank to include these items.
- D) Stimulate larger national and international Food Banking schemes: This would be the eventual objectives of the project. A first step would be the initiation of a similar development by Mennonite farmers in the United States. It is expected that a smooth-running Food Banking scheme would attract broad interest and would eliminate some of the myths and barriers now preventing concerted international action. The goal of the Food Bank is not to do everything that needs doing, but to point in a new direction.