



# Monetization Field Manual

## USAID Office of Food for Peace Title II Programs

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This Monetization Field Manual supersedes the manual dated October 1999. This publication was updated and prepared by the USAID-BEST Project. An electronic version of this document allows users to click and follow the links throughout the document; it is available here:

<http://www.usaid.gov/what-we-do/agriculture-and-food-security/food-assistance/resources/implementation-tools>.

# Section I:

## Background and Guidance

An overview of monetization and important principles for all monetizations.

### Background

Monetization is an activity in which donated commodities are sold in a commercial fashion in local markets, in part, to generate cash resources for program implementation. Title II monetization has grown dramatically since its onset in 1986, and is currently a key resource for Private Voluntary Organizations (PVOs) to ensure adequate and appropriate resources are available for Title II programs.

Monetization proceeds support food security activities, especially augmenting the impact of food aid distribution programs. These proceeds provide necessary funds for activities which promote increased agricultural productivity, household nutrition, and household capacity and resilience. Monetized commodities can support food security by increasing the availability of food, and the monetization sales process can support the development of local markets.

Monetization is most commonly undertaken in development programs (as opposed to emergency programs), and most commonly occurs within the country of program operation (as opposed to occurring within a country outside of program operation).

Two principles guide monetization programs: the principle of “do no harm” and the principle of efficiency.

### Learn More: Emergency and third country monetization

Emergency monetization, and third country monetization (sometimes referred to as regional monetization) are two unique monetization program types which may be suitable under special circumstances.

A monetization can be implemented during an emergency situation if it is believed to be the best option for satisfying the nutritional needs of those affected.

A third country monetization occurs when commodities are sold in one country and the generated funds are used to support the implementation of a Title II program in a different country, usually within the same region. Third country monetization may be considered if monetization in-country is not feasible.

For more information on these special cases of monetization, see the Food for Peace (FFP) website.

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## Guidance

### The Principle of “Do No Harm”

Although monetization can positively contribute to local market development, monetization can also harm local markets. PVOs must aim to “do no harm” when monetizing food aid. Broadly speaking, food aid “does no harm” when it does not damage or distort local markets, create disincentives for local production, play into systems of corruption, or foster relationships of dependency.

The “do no harm” principle stems from the legal requirements of the Bellmon Amendment. Four general characteristics of a monetized sale can help ensure that the activity will “do no harm”:

1. The market is a net importer for the proposed monetized commodity and is therefore dominated by commercial imports, with minimal to no supply met through domestic production.
2. Monetized food aid is sold at a fair market price.
3. The volume of food aid monetized is small compared to the normal volume of commercial imports and/or the normal volume of marketed domestic supply.
4. The timing of the monetization sales is calibrated to local seasonal calendars and market conditions so as to avoid substantially depressing producer prices or discouraging traders from engaging in intra-seasonal storage.

In addition to the Bellmon requirement to “do no harm,” PVOs implementing monetization programs are expected to monitor markets (with support from USAID) on an ongoing basis, in order to gauge whether or not the monetization continues to “do no harm.” USAID provides support through, but not limited to, the USAID-BEST project. USAID expects PVOs to regularly monitor markets as part of their standard practices to understand their operating environment.

### Learn More: Fair market price

One important measure to uphold the principle of “do no harm” in a monetization is to achieve a fair market price. A fair market price for a monetized commodity is the price a commercial importer would normally have to pay for that same (or closest substitute) commodity if purchasing the good commercially, often referred to as Import Parity Price (IPP).

When donated commodities are sold below a fair market price, monetization can undercut the market and put other private sector market actors at an unfair disadvantage, create production disincentives, and disrupt normal trade patterns. For details on estimating a fair market price, see Section 2.

### Learn More: The Bellmon Amendment

As one of the USG agencies that provides food aid, USAID is legally required to make a determination whether an activity will “do no harm” to local markets, as per the Bellmon Amendment (P.L. 480, Section 403(a)). The Bellmon Amendment requires USAID to determine that: 1) adequate storage facilities are available in the recipient country, and 2) the distribution of the commodities in the recipient country will not result in a substantial disincentive to or interference with domestic production or marketing in that country.

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## The Principle of Efficiency

In the context of monetization programming, “efficiency” means that scarce food aid resources are used wisely to achieve food security goals. Efficient monetizations aim to balance US dollars made available by Congress for food security against the US dollars actually spent on food security interventions. Monetization sale proceeds represent available resources for programming. Thus, it is imperative that all monetization sales achieve the highest sales price possible.

If possible, PVOs should strive to sell at a price equivalent to the full cost of the purchase and transport of the commodities for use in monetization. Although full cost recovery may not be attainable in all situations, FFP has determined that, wherever feasible, a monetization sale should strive to achieve cost recovery. USAID recognizes that Title II Awardees have a vested interest in maximizing the sales price because, by so doing, Awardees maximize programmatic funds available for food security interventions. For details on calculating cost recovery, see Section 4.

### Example: “Do no harm”

Careful study of the market environment and proposed sale terms will reduce the possibility that a sale will result in a negative outcome.

For example, a study of the structure of the market may reveal there are only two potential buyers but one clearly dominates the market. PVOs then can adjust their sales strategy to ensure the dominant buyer does not buy the entire volume of the monetized commodity, which might further concentrate market power.

See Section 2 and 3 for guidance on conducting a market analysis and setting sales terms with a buyer.

### Learn More: Cost recovery and fair market price

**Cost recovery:** The cost of purchasing and transporting food from the US to the destination country relative to the proceeds from the monetization sale.

**Fair market price:** The price a commercial importer in the destination country would normally have to pay for that same (or closest substitute) commodity if purchasing the good commercially.

PVOs must always strive to achieve a fair market price to maximize available program funds. PVOs should strive to achieve cost recovery, if possible, to maximize program funds.

## Section 2:

# Planning a Monetization

Initial analysis to short list commodities, in-depth analysis to determine appropriate sale specifics.

### Market Analysis: Overview

Before undertaking a monetization, PVOs must conduct a market analysis. This manual considers market analysis in two parts: first, an initial study of general commodity markets (to select commodities appropriate to monetize), and second, an in-depth study of those commodity markets deemed appropriate to monetize within (to determine specific sales conditions of the potential sale).

Market analysis for monetized food aid programs is useful because it indicates whether there is an opportunity in the local market for monetized commodities. If an opportunity is identified, further market analysis can provide guidance on how to execute a monetization most successfully.

Questions to consider when undertaking a market analysis for a monetization program include:

- Is there a potential market for monetizing Title II commodities?
- Is there current or past monetization activity in-country, either through USAID or USDA programs, or other non-United States Government (USG) sales of donated commodities?
- Is a small volume of monetized commodities (relative to total commercial imports) sufficient to support funding needs?
- Can the monetized food aid be sold at a fair market price?
- Is it possible to support local market development through monetization?

### Learn More: Umbrella monetization

USAID recommends that a monetization consortium be established in all countries where two or more PVOs intend to conduct a monetization, whether jointly or on an individual basis.

Umbrella monetization can keep marketing costs and expenses related to analyzing markets contained, avoid duplication or competition of efforts, and strengthen the ability of PVOs to negotiate more competitively in the market. It can also increase the potential for achieving a fair market price, stemming from the expertise gained by the lead agency, and the additional time/money that can be devoted to this objective.

- What special considerations should PVOs take into account when planning for monetization?

Guidance on how to answer these questions follows.

## Market Analyses Frameworks

A number of frameworks are available to guide market analysis to inform monetization. One of the most common frameworks for market analysis is the Structure-Conduct-Performance (SCP) framework. An SCP framework recognizes links between different market levels (such as wholesaler, retailer, and consumer) and different market characteristics (such as prices, policies, and efficiency) to assess how a market performs in terms of reaching a goal (such as efficient marketing or affordable retail prices). For specific guidance on SCP, see [FEWS NET's](#) “Structure-Conduct-Performance and Food Security.”

A value chain approach may also be a particularly useful framework. Multiple sources are available via online curricula, including through [Microlinks](#) and via the [Donor Committee for Enterprise Development](#). Additionally, market mapping exercises can form a useful piece of a market analysis. The “[market mapping tool](#)” developed by Practical Action is one such example.

For guidance on data sources to inform market analysis, see Appendix I.

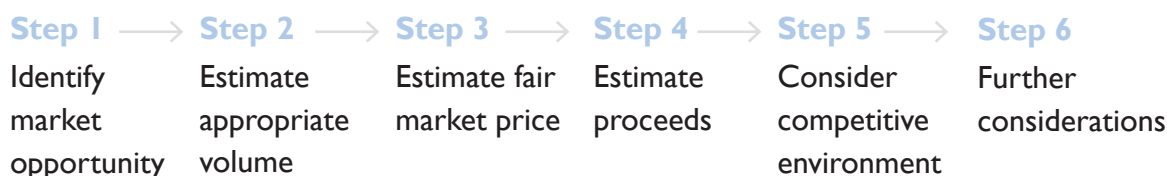
## Learn More: SCP framework

Market structure consists of the relatively stable features of the market that influence the rivalry among the buyers and sellers operating in a market. Some examples of market structure include the number of buyers and sellers of food commodities in the market, the number of sellers of agricultural inputs such as fertilizer and veterinary drugs, barriers to entry into the market, and the nature of trading relations (e.g. vertical coordination mechanisms) among market participants.

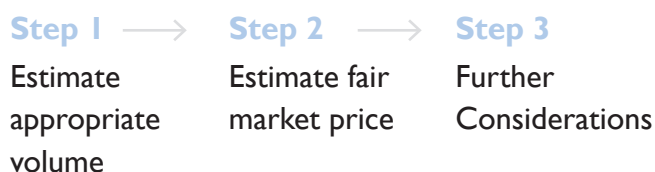
Market conduct refers to the patterns of behavior that traders and other market participants adopt to affect or adjust to the markets in which they sell or buy. These include price setting behavior, and buying and selling practices.

Market performance refers to the extent to which markets result in outcomes that are deemed good or preferred by society. These include price levels and price stability in the long and short term, profit levels, costs, efficiency, and quantity and quality of food commodities sold.

### Initial Steps: Market Analysis



### In-Depth Steps: Market Analysis



## Market Analysis: Initial Steps

Begin a market analysis with basic estimations on commodity market characteristics, volumes, prices, and potential proceeds from a sale.

### Step 1. Identify Commodity Market Opportunity

An opportunity for monetization exists when sufficient local market demand exists for at least one Title II commodity. Sufficient demand will ensure that monetizing a small portion of the volume normally traded in that market will provide sufficient funding proceeds to justify the PVOs' investment in the monetization process.

PVOs should consider all commercial commodity markets, and note those which have held monetized sales in the past. Next, PVOs should review annual import, export, and production levels to determine which markets (if any) possess an opportunity for monetization. Sources for initial estimations of market size include FAO, USDA, Comtrade, WFP, government ministries, and previous USAID-BEST/Bellmon analyses.

For details on data sources to inform market analysis, see Appendix I.

### Step 2. Estimate Appropriate Volume

Once a commodity is selected, PVOs can determine an appropriate volume to potentially monetize. As a general rule, monetized volumes of a commodity should not exceed 10 percent of the country's five-year average annual commercial import volume, as described in the text box on the right.

Policy changes that affect trade, such as import bans or restrictive certification requirements, should be considered when estimating commercial import volumes.

PVOs must also consider recent or planned monetizations by other PVOs, or government to government monetizations in the same market. The volume and timing of the program should adjust to ensure

#### Learn More: 10 percent rule of thumb

To determine the appropriate maximum commodity tonnage for monetization, PVOs are advised to use a conservative "rule of thumb" in the planning process. Specifically, monetization tonnages should generally be less than approximately 10 percent of the average annual commercial import volume of that commodity.

Recent empirical research in a LIFDC context found that a 10 percent food aid share (relative to local production/supply) was a 'threshold' above which the increase in the local food supply due to the introduction of food aid is more likely to significantly depress market prices (Tadesse and Shively 2009).

While market dynamics differ across countries, USAID recommends using this approximate 10 percent rule of thumb as a guideline in all countries.



total monetization volumes do not exceed approximately 10 percent of commercial import volumes, and that monetizations are timed appropriately.

For instructions on in-depth calculation of market volumes, see “In-Depth Analysis: Volume” in this Section.

### Step 3. Estimate Fair Market Price

PVOs should next estimate the fair market price they should expect to receive for monetizing Commodity X on the open market. Global commodity prices should be the reference prices for both potential buyers and sellers. Price estimations may be obtained by searching databases listed in Appendix I, and by contacting freight forwarders and transporters, international grain traders, local importers, and traders.

For the purposes of this manual, import parity price (IPP) is considered the best estimate of a fair market price for a monetization. PVOs should thus estimate the IPP for Commodity X, in order to estimate a fair market price. PVOs should consider a variety of characteristics that may impact price, such as potential buyers’ normal supply chain practices, transport, storage and handling costs, administrative fees, and commodity price trends.

For further explanation of IPP, see the text box on the right of this page; for instructions on in-depth calculation of IPP necessary after initial market study, see “In-Depth Analysis: Price” in this Section.

### Step 4. Estimate Proceeds

Once PVOs have estimated an appropriate monetization volume (based on estimated marketed supply volumes) and estimated a fair market price for Commodity X (based on estimated IPP), it is possible to estimate proceeds from the potential sale. If the estimated proceeds (total MT x fair market price per MT) meet the required funding for the monetization program, PVOs should then examine the competitive environment of the commodity market and other possible factors which might affect the potential sale, particularly

#### [Learn More: IPP and fair market price](#)

**Fair Market Price:** Also known as a “competitive market price.” In monetization, a fair market price is a sales price that reflects the value of the same or similar commodity in the same market; in other words, the sales price equal to the lowest landed import price for the same or closest substitute commodity. By not undercutting the fair market price, sales will not place local producers or traders at a marketing disadvantage.

**Import Parity Price (IPP):** A price charged for a domestically produced good that is set equal to the domestic price of an equivalent imported good; thus the world price plus transport cost plus tariff (Deardorff’s Glossary of International Economics).

Fair market price and IPP are generally equivalent, but can differ when markets are performing imperfectly. In an imperfect market, a “competitive” (“fair”) market price may not necessarily align with a price reflective of world price, plus transport, plus relevant duties and taxes (IPP). IPP is an estimate of the fair market price, but is not necessarily the fair market price (especially in an imperfect market). In situations where the IPP does not equate to the fair market price, PVOs are encouraged to further analyze the market and seek guidance from USAID.

Note that the Commodity Calculator will report approximate USG procurement price, which may be very different than the fair market price for the Title II commodity in the sale market.

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the sales price.

## **Step 5. Consider Competitive Environment**

Before moving forward with in-depth analysis, PVOs should consider the general competitiveness of the selected commodity market(s). This assessment will (1) inform the likelihood of achieving a fair market price, and (2) inform the choice of sales method, such as small lot sales versus large lot sales, and open tender versus negotiated sale.

A market may be deemed uncompetitive when prices reflect market power, rather than competitive market conditions. A small group of large importers, processors, or traders (or a single importer, processor, or trader) usually dominate uncompetitive markets. In such a scenario, a monetized sale is less likely to achieve a fair market price due to price-setting. Adequate competition among potential buyers will help ensure PVOs receive a fair market price, which will maximize expected returns from the monetization sale and thus maximize funds available for programming.

PVOs may judge market competitiveness by examining international price trends and comparing them to local price trends, examining the number of importers or processors in the country, and examining the market share of these market actors. Information on market competitiveness can be found in existing market analyses, and through discussions with local traders and market experts.

In cases where a specific commodity market is not competitive, PVOs should always try to develop alternative commodities that can be monetized. The availability of a fall-back position will increase PVOs' bargaining power during negotiations, and provide the option of canceling a sale in the event a fair market price is not achievable.

In limited cases where a market is not competitive, no other viable alternatives exist, and PVOs have demonstrated expertise in monetization sales, PVOs may engage in discussions with large importers in monopoly/monopsony-dominated markets. It may be possible to draw up sales contracts that incorporate specific language dictating

how a fair market price will be determined. For example, in order to determine a fair market price, a contract may reference a matrix with a basket of prices for a specific commodity of various origins that importers currently purchase; such a matrix can be developed by an independent market consultant. In other cases, monetization sales prices may be set based on Chicago Board of Trade or other commodity exchange futures prices. See Appendix 2 for sample monetization sales contracts.

### Step 6. Further Considerations

Once PVOs have determined that a certain commodity is likely appropriate to monetize in terms of volume, price, proceeds, and market competitiveness, PVOs should undertake several further considerations. In this last step of initial analysis, PVOs can identify possible challenges or opportunities which may affect the potential sale.

Questions to consider include:

- Would national government policies and/or sensitivities interfere with the monetization of Commodity X? Does the government prefer PVOs monetize raw materials or are refined commodities acceptable? Does the government support programs to increase local production of the product? Does the government have and enforce restrictions of Genetically Modified Organisms (GMO)? What import taxes and fees exist for the commodity? If government policies do not pose a risk to successfully monetizing the commodity, Commodity X could be an appropriate commodity to monetize.
- Does USAID have any policies specific to Commodity X? For example, would non-fat dried milk (regarding which USAID has a policy) be eligible to monetize in Country X?
- What market characteristics (seasonality, storage capacity, transport conditions) could interfere with the monetization of Commodity X?
- Are there any substitute commodities for Commodity X? If so,

Further Considerations



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how would the monetization of Commodity X impact production/marketing of substitute commodities?

- What sort of food security impact would this monetization have? Specifically, is the commodity marketed differently among urban and rural areas? Is the commodity marketed differently among the poor? Is the commodity marketed differently during different times of the year? The food security impact of Commodity X will depend, in part, on such marketing characteristics.

- Do prices fluctuate during certain times of the year? Have prices remained constant over the past one to two years or more? Can the PVOs take advantage of differences in seasonal prices on local and global markets to achieve the highest cost recovery and thereby increase the efficient use of Title II resources?

- PVOs should consider the timing of their sale. To avoid disrupting the market or creating production disincentives and to increase the likelihood of receiving a fair market price, monetization volumes must enter the market at an appropriate time. PVOs must understand if volumes traded vary throughout the year and, if so, how they vary. PVOs should consider when staple foods are harvested in certain locations, when the rainy and dry seasons occur, and policy (especially trade policy) in effect during certain months. All of these factors can affect the price and volumes of goods on the market at different points during the year, which thus affect fair market price and appropriate monetization volume. Information on seasonality can be found in existing market analysis, seasonal calendars, price trends, and interviews with market actors.

- What is the foreign exchange supply? What foreign exchange policies are in place? Restriction on foreign exchange is often one of the factors that make monetized goods attractive to potential buyers, and a shortage of foreign exchange is often cited as one reason that monetization is important for food security.

- Does the country import Commodity X from another Low-Income Food Deficit Country (LIFDC)? Monetization of a commodity typically imported from another LIFDC would be considered highly undesirable.

## Learn More: Supporting market development

While neither necessary nor especially common, PVOs may have an explicit objective of fostering market competition and reaching underserved markets via the monetization process.

In this case, an explicit food security impact will depend on the structure of the market. The presence of few potential buyers may dictate large lot sales in large urban markets. The presence of many potential buyers, conversely, increases the feasibility and appropriateness of small lots sales. PVOs may wish to specifically target traders who lack sufficient access to commercial credit but who might otherwise serve smaller, or rural markets if provided an opportunity to purchase Title II monetized commodities on favorable payment terms.

PVOs should consider the usual source of commodities that small traders sell. If small traders typically procure their goods from larger importers or processors, small lot sales may in fact undercut the market for larger importers and agro-industry, and thus negatively impact those businesses in the longer run. Some governments may afford tax exemptions on raw materials, but apply them to the same commodities when sold as processed goods in order to encourage investment in the processing sector. Where these supply arrangements and tax regimes are present, small lot sales would be not only undesirable from a market impact point of view, but also from a cost recovery standpoint.

- Are there any current or planned local and regional procurement (LRP) efforts in the country? USAID would not support the monetization of a commodity for which there exists a direct, domestically-produced substitute commodity, whose production is intended to be stimulated through USAID or other donor LRP efforts (including those of WFP).
- How expensive would it be to transport monetized goods from the receiving port to Country X? For landlocked countries, geographic distance from the port and location of sale (whether at the port or at the destination country) will impact the cost of handling the good, and thus impact the amount of funds available to PVOs for program activities.

### Learn More: Timing of sales

When considering timing of a monetization, PVOs should examine both production and marketing patterns, for imported and locally produced commodities.

- When are staple foods harvested?
- When is the lean season?
- What policies are in place during all, or particular, times of the year?
- Do import volumes/prices fluctuate during the course of a normal year?

## Market Analysis: In-Depth Study

Once PVOs have selected a commodity (or commodities) as likely appropriate candidates for monetization and before the sale can take place, an in-depth study of volume and price, and an assessment of market competition are necessary. The results of the in-depth analysis will assist PVOs in navigating a sale, determining a fair market price, and ensuring that the monetization sale is appropriate in terms of program objectives and the monetization principles outlined in Section I.

### Step I. In-Depth Analysis: Volume

As explained above, barring unusual market conditions, PVOs should strive to monetize a volume no greater than 10 percent of a country's commercial import market size. To do this, PVOs must make every effort to properly estimate the size of the commodity market in the Title II country, with particular emphasis on estimating the demand for commercial imports.

To estimate the size of the commercial market, PVOs will likely need to supplement data and information on commercial trade

with information on informal trade volumes, and local market trade volumes obtained through interviews with private market actors. PVOs should strive to estimate different market sizes for the crude product, the refined product, locally produced supply, and imported supply. PVOs should also note quality and variety specifications that may affect market size. For example, are locally produced raw materials (e.g., soybeans or wheat) of a sufficient quantity and quality to meet processors' requirements, or are importers forced to import their supplies to meet their resource needs? If unfamiliar with these specifications, PVOs may reach out to US producer/processor associations for technical support regarding commodity specifications.

Once PVOs have a confident understanding of market size, the PVOs may proceed with determining a volume appropriate to monetize. An appropriate monetization volume should generally not exceed 10 percent of a country's average annual commercial import volume for the past five years. When estimating supply, PVOs should consider shorter time frames (one, two, or three years, for example) if there has been marked growth in the previous five years. See the following table for an example of calculated supply.

**Learn More: Market volumes**

When calculating market volumes, consider market trends, commodity variety /quality differences, and consumer preferences. Questions to ask when analyzing market size include:

- What percentage of supply is made up of imports? Local production?
- What percentage of supply is made up of the crude/raw product? Refined product?
- What percentage of supply is made up of food aid? Is that food aid monetized or distributed?
- Is demand growing at a rapid rate? Is supply expected to grow significantly in the next five years due to increased demand and/or increased market capacity?
- What are estimates of informal trade flows?
- Does local market supply appear to meet demand, or are there liquidity constraints that prevent local importers/processors from expanding supply to meet demand through local sources?

**Example:Wheat Grain Supply Table**

<b>Market supply (MT)</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>5 year average (2006-2010)</b>
Imports	450,197	493,627	473,767	444,051	492,354	470,799
of which, monetized food aid	0	0	0	0	0	0
of which, distributed food aid	0	0	0	0	0	0
Exports	262	1,771	1,710	109	3	771
Net Trade	449,935	491,856	472,057	443,942	492,351	470,028
Production	1,588	1,610	1,614	1,619	1,619	1,610
<b>Supply</b>	<b>451,523</b>	<b>493,466</b>	<b>473,671</b>	<b>445,561</b>	<b>493,970</b>	<b>471,638</b>

Figures from various sources often do not match with one another. Differences in production and trade volumes, in particular, are often due to differences in reporting practices, and lack of data verification in the field. To gain confidence in supply figures, PVOs will generally need to avail themselves of a wide array of information sources, including online databases, and in-person interviews with government ministries, private importers, traders, and processors.

## Step 2. In-Depth Analysis: Price

As discussed above, for the purposes of this manual, IPP represents the best estimate of a fair market price. PVOs should expect that the fair market price for a commodity will reflect the price that commercial importers would typically pay in the absence of the Title II commodity. Specific commodity specifications, especially grading, are important determinants of a fair market price.

An IPP can be estimated based on the sum of a simulated commercial entity's cost to import and sell the same (or very similar) food commodity. If IPP has been consistently achieved in past monetizations and can be expected to be achieved in the near future, given current market conditions, the PVOs may reasonably expect that a fair market price is achievable. For monetization, the most relevant IPP calculations consist of the following figures or some subset thereof:

- Free on Board (FOB) from exporting location/market (for the same or similar commodity)
- Insurance
- Ocean freight from usual source markets to point of import (assuming the most competitive commercial maritime carrier)
- Port charges at port of entry (taxes, handling, packaging, storage, agents' fees, etc.)
- Import duties
- Taxes (including VAT if applicable, and dependent on individual country's tax exoneration policies)
- Inland transportation

### Learn More: International Commercial Terms ("Incoterms")

To learn more about internationally accepted definitions for commercial terms commonly used in sales contracts, the International Chamber of Commerce provides an online resource that describes [International Commercial Terms](#) ("Incoterms").

### Learn More: IPP

When calculating IPP, consider trade patterns and preferences among potential buyers.

Does Country X import commodity X, or does it import a similar, substitutable commodity, possibly of differing quality?

What particular characteristics do potential buyers prefer (e.g., protein content, moisture content, color, mixture ratios, packaging type) and how does this impact price?

Are fees and duties charged at likely points of entry readily available?

Are there constraints in the transportation network that prevent commodities from flowing in quickly from the port/border?

Are there significant differences of seasonality in terms of demand among potential buyers? Do transportation fees increase during that period?

Would a buyer prefer a secondary port or transportation route if a delay arose?

- 
- Any other costs that bring the per unit cost into parity with the reference price, such as a price adjustment for a difference in commodity quality, and the cost of payment guarantee mechanisms for Title II purchases that are not part of normal commercial practices

Note that a consortium monetization fee is not included in IPP, as it is solely a fee charged or deducted from monetization proceeds.

Depending on terms of sale and, specifically, where transfer of title takes place, PVOs may be required to estimate only a subset of the above costs. For example, monetization sales are frequently made on a CFR (formerly referred to as CNF or C&F) basis, which would require only ocean freight costs to be added to FOB prices.

PVOs should use existing sources to help estimate expected costs. See Appendix I for suggested data sources for IPP calculation. To complement secondary information, a market analysis will inevitably involve many interviews with market participants, including importers, traders, transporters, trade associations, and market research firms, to develop a 'real-time' and 'on-the-ground' picture of market conditions. PVOs should be aware of a commodity's characteristics (quality, type, international and local price) in order to make these discussions as informative and relevant as possible.

If at all possible, PVOs should capture historical local wholesale prices. Traders typically guard this information, however, since it can reveal their profit margins. Time-series CFR and wholesale prices for a commodity under consideration for monetization would give a strong benchmark against which to compare IPP, or even obviate the need to calculate IPP at all. PVOs should look for trends in data, and note data that may be inaccurate or may reflect an irregular spike or dip atypical to normal patterns.

In some markets, IPP is widely known and transparent, eliminating the need for PVOs to estimate IPP.



See the table below for an example of an extensive IPP calculation. As noted above, PVOs may be required to estimate only a subset of the above costs depending on where transfer of title takes place.

**Example: Extensive IPP Calculation**

#	Item	Source	US\$/MT
1	Refined Soybean Oil Ex Rotterdam	USDA FAS Data	748.00
2	Ocean freight	Marill Freight	50.00
3	Insurance	1% of #1	7.48
4	CIF Djibouti	#1+#2+#3	805.48
5	Customs duty	30% of #4	241.64
6	VAT	15% of (#4+#5)	157.07
7	Withholding tax	3% of #4	24.16
8	Port charges, handling etc.	Axis Transit Services	39.50
9	Inland freight	Axis Transit Services	41.10
10	Storage	Kaga Warehouse	7.50
11	Packaging	Whey Consulting Ltd.	119.50
12	Administration	World Bank Salary Data	4.00
	<b>Total Import Parity Price</b>	<b>Sum(#4:#12)</b>	<b>1439.96</b>

The chart below plots past monetization sales prices achieved against calculated IPP during a four-year period in a specific sales market. Importantly, each monetization may not always achieve estimated IPP. Sales prices within +/- 5-10 percent range of estimated IPP are realistic to anticipate due to changing market conditions and the nature of estimating components of IPP.

**Example: Past Monetization Sales Prices of Title II CDSO vs. IPP for Argentine CDSO, CFR Santo Tomas**



Source: Argentine Secretaría de Agricultura, Ganadería, Pesca y Alimentos, PVOs, AMEX International.

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## Step 3. In-Depth Analysis: Further Considerations

Once PVOs have estimated an appropriate volume, and estimated a fair market price, PVOs should gather any additional details that may be required to complete the PVOs' understanding of the market in question and the best monetization sales strategy. Among the further considerations that may be relevant for a particular market are the following:

- What is the best structure (open tender, negotiated sales or small lot sales, for example) for the sale to achieve the PVOs' objectives? (Sales platforms are discussed in more depth in the next chapter.)
- In cases where a specific commodity market is not very (or at all) competitive, PVOs should try to develop alternative commodities that can be monetized, in order to have the option to cancel a sale in the event fair market price is not achievable.
- What are the terms of payment that prevail in the country of sale? For example, which payment guarantee mechanisms are available and commonly used by buyers for the commodity in question?
- Is the local banking structure sufficiently stable that buyers can access international financial instruments (e.g., letters of credit, bank guarantees)? PVOs should strive to identify the strongest local banks that also have corresponding relationships and credit facilities with international (US, Swiss, EU) banks.
- Are there any trade policy issues (for example, certification requirements) that may affect prices?
- Can potential buyers efficiently access import licenses?
- At what point might a potential buyer take delivery of the commodity? This will determine how much of the transport cost to include in the sales price.
- What tonnages are generally imported on a monthly basis and/or per buyer and how would that correspond to the tonnages as proposed for monetization sales?

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- Would it be more advantageous to monetize in several shipments over the year in order to avoid introducing too much commodity into the market at once?
  - Can local ports handle proposed monetization volumes? Are port operations for unloading and managing commodity import operations efficient?

## Section 3:

# Making a Monetization Sale

Selecting a sales type and buyer, handling the commodity, and making the sale.

## Background

Once a market analysis has confirmed that a potential sale would be appropriate in terms of meeting funding needs while adhering to the monetization principles as detailed in Section I, PVOs can move forward with the sale by first choosing a sales platform, and then confirming specific terms of payment and terms of delivery with the buyer(s).

## Conducting the Sale

Careful selection of a monetization sales platform may enhance PVOs' ability to achieve a fair price. PVOs should strive to host the most competitive, open sales process as possible in order to maximize the likelihood of achieving a fair market price. In markets where evidence suggests only a few potential buyers collude to set prices, negotiated sales may be more appropriate to yield a higher sale price.

In most cases, the most common platforms available are open tender, tender with option to negotiate, and direct negotiation. Commodity exchanges, while generally limited in overall availability to monetization agencies, are also an option and have particular advantages.

Different sales platforms may attract different types of market actors, ranging from a larger actor to a smaller scale trader.

- Large buyers. PVOs may decide the most appropriate sales platform is to sell to one or a few large buyers (milling or processing companies, for example) through large lot sales. Large millers/processors can be loyal buyers. In cases where the number of buyers is limited, it is useful to have a second potential commodity selected for monetization as a back-up option. This will increase PVOs' bargaining power, and afford PVOs an opportunity to walk away from negotiations. When other options are available, PVOs should avoid selling to a large parastatal, oligopoly, or monopoly, because doing so would not support local market development in comparison to other available options.

- Large traders. PVOs may consider selling to large commodity traders. Large traders generally focus on urban and highly populated areas. After payment and exchange of title, the trader would take ownership of the monetized commodity. The trader would be responsible for managing in-country logistics and for the resale of the commodity to processors and/or millers. This can be a favorable option for PVOs that do not want to engage in in-country storage, handling, and logistics, or are unfamiliar with the buyers.

- Small traders. Small lot sales targeted to small traders may enable PVOs to indirectly support the food insecure in remote, underserved areas of a country. Small-scale traders and processors often operate in highly competitive, smaller, and often rural markets. However, PVOs should view small lots sales as a long-term, market development intervention, with a clear exit strategy.

## Learn More: US commodity specifications

To learn more about the specifications of US commodities, the [US Federal Grain Inspection Service \(FGIS\)](#) provides an online resource that explains US grades and standards.

### Overview of Sales Platforms

Sales Platform	Description	Appropriate when	Advantages	Disadvantages
Direct negotiation	A direct sale with buyer(s).	Auction/Commodity exchange not available; past evidence of collusion among potential buyers.	Simplest logistically; low administrative cost	Seller must have deep understanding of domestic and import markets; lack of transparency in market prices; large market players may be difficult to work with.
Open tender/ Auction	Public sale open to bidders.	A medium to large number of potential buyers; PVOs have administrative capacity to handle the sale; PVOs are interested in large lot sales or small lot sales.	Promotes competition; increases likelihood of achieving fair market price; may reach smaller actors and poorly served markets	Somewhat difficult logistically; high administrative costs; potential for collusion; small market actors may not have sufficient capacity/credit for the sale; for sales conducted over a long period of time (e.g., small lot sales), PVOs' cash flow requirements may be impacted.
Commodity exchange	Open marketplace where members publicly trade commodities.	A commodity exchange exists.	Promotes competition; low administrative costs; increases likelihood of achieving a fair market price.	Lot sizes and sale conditions may be fixed by the exchange.

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## Step 2. Conduct Sale

Once a platform has been selected and a buyer identified, PVOs can confirm the price and timing of shipments with the buyer and enter into a sales agreement. The monetization sale should mimic a normal commercial transaction as closely as possible; however, inherent characteristics of monetized goods will likely affect the sale. See the text box on the next page, “Monetized sales vs. commercial sales” to learn more.

*Sales agreement.* Although sales agreements will vary according to country circumstances, the following essential provisions must be included:

- Full commodity specifications.
- Identification of documentation that will be used to verify commodity specifications.
- Tonnage.
- Agreed total sales price per MT, and currency of sale.
- Date of sale.
- How and when payment(s) will be made, terms of payment(s) (including a description of the terms), if applicable; which exchange rate is used (including whether it is a market-based rate); and when that exchange rate is used (e.g., at the time of payment, or at the time of signing the agreement), and a guarantee that payment will take place.
- Stipulation that the purchaser will not re-export commodities or products thereof.

While sales agreements will vary according to commodity and country context, the following essential provisions should be included:

- Estimated time of shipment (non-binding).
- Statement of purchaser’s capability to take delivery, properly store,

### [Learn More: Sales contracts](#)

Commercial sales contracts should be mimicked to the greatest extent possible when drafting a Title II sales contract. Commercial contracts require exact specifications to be clearly spelled out in the contract. In addition, contracts should outline which documents are required to determine whether the commodity meets required specifications. These same specifications must be included in the call forward request. To prevent failure of performance on the part of the seller, a discount scale should only be applied if PVOs are monetizing soybean meal or soybean oil. For all other commodities, the failure of the seller to deliver commodity with the specifications as indicated in the sales contract allows for the legitimate renegeing on the part of the buyer.

In markets where commercial buyers are not required by their usual suppliers to secure a payment guarantee that would be acceptable to Title II PVOs (an irrevocable letter of credit (L/C), for example), PVOs should expect buyers to demand a discount for any fees associated with obtaining such a guarantee at seller’s insistence.

Furthermore, in no case should title to or possession of the commodities pass to the buyer until payment in full has been received by the PVO, or is secured through some form of acceptable guarantee. An acceptable guarantee could include, for example, an irrevocable L/C, a bank guarantee, or *traites avalisées* (common in francophone countries).

and successfully market the commodities.

- Statement specifying how parties will manage cargo losses/damages.
- Agreement by purchaser, having accepted the commodities when discharged at the port of entry, not to raise claims, thereafter, about the “wholesomeness” or “fitness” of the commodities.
- Any packaging requirements/packaging size requirements.

The full contract value (e.g. sales price per MT, times tonnage) will reflect the price and quantity agreed upon between buyer and seller. However, the contract should allow for a variance of plus or minus five percent in quantity and value since actual tonnage shipped and delivered to buyers may vary by plus or minus five percent.

Performance bonds. USAID encourages PVOs to secure the sale of commodities by entering into a performance bond as part of the sales negotiation process. The performance bond should equal at least 10 percent of the expected sales price and be denominated in the currency in which the sale will take place. The bond should take the form of cash or an irrevocable letter of credit (L/C) (or similar instrument, in accordance with local practices) and guarantee payment to the PVOs of the amount of the bond in the event that the buyer of the Title II commodities fails to perform in accordance with the sales agreement. Note that PVOs are responsible for the value of the commodity until a guarantee is in place.

For sample monetization sales contracts, see Appendix 2. For a sample letter of credit format and a letter of credit, see Appendix 3.

### Step 3. Handle the Commodity

Once PVOs have received monetized goods, they are responsible for the handling of these goods until the point where the buyer assumes control (typically, at the destination port or destination country).

Title II commodities for monetization pass to PVOs at the time and

### [Learn More: Monetized sales vs. commercial sales](#)

The sale of monetized food aid faces a number of disadvantages relative to the sale of commercial commodities.

Food aid is generally shipped under more costly and more risk-averse freight terms, resulting in higher costs than commercial freight costs, and risk of non-delivery for reasons outside the control of the seller or buyer. Food aid shipments often have delivery schedules that are less well-defined than commercial shipments, making it more difficult for buyers to predict arrival. Also, many buyers are accustomed to purchasing closer to the point of arrival, which entails much shorter lead times for delivery. Finally, food aid from the US may not have some of the origination and blending advantages as compared to the commodities typically imported by commercial buyers.

On the other hand, monetized food aid may carry some special advantages for potential buyers. For example, monetized food aid is generally payable in local currency, thus preserving precious foreign exchange reserves and avoiding the need to obtain foreign exchange licenses which may be difficult to obtain in some countries. Title II commodities may be higher quality than generally available on the market. Monetized sales may have more advantageous payment terms than commercial sales, which can extend much needed credit to buyers in liquidity constrained markets. Finally, monetized food aid may be destined for markets in high risk areas that are underserved by commercial market actors.

These advantages and disadvantages should be expected to be reflected in the sales price.

Monetized food aid may be exempt from duties and taxes. However, any such exemption is not relevant to buyers, and the sales price should not reflect any such exemption.

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place of delivery at US ports. PVOs are responsible for all arrangements in connection with the receipt, storage, and maintenance of the commodities for monetization from the time of delivery at the US port to the time of delivery to the buyer. This includes transportation of the commodities overland to landlocked countries.

The USG self-insures for maritime loss, and USAID retains the right to redirect cargo.

PVOs' commodity monitoring responsibilities cease once title to the commodities has passed to the purchasers or other third parties, and the full amount of the agreed purchase price has been deposited into the PVOs' account, or an acceptable guarantee of payment (such as an irrevocable L/C) has been secured.

## [Learn More: Duties and Taxes](#)

Title II commodities for monetization may be taxed by the host government. PVOs may negotiate with host governments to permit the tax-free importation of commodities.

USAID Missions and PVOs must carefully consider the effects of payment or non-payment of taxes (in terms of limiting the proceeds available for programming, in the case of the former, and disrupting the local market, in the case of the latter). Any waiver of duties or taxes should result in a higher sales price rather than a windfall to the buyers. In countries where tax practices are deemed problematic, the USAID Mission and PVOs are encouraged to negotiate with the host country to establish an agreement whereby taxes and duties would be charged, as in a commercial transaction, but the Title II PVOs would be allowed to retain those taxes/duties as a host country contribution to the program.



## Section 4:

# Cost Recovery Guidelines

An overview of cost recovery and cost recovery calculation.

### Background

While PVOs are required to ensure that the sales price represents a fair market price per the principle of “do no harm”, USAID recommends that PVOs strive to achieve a cost recovery per the principle of efficiency. Full cost recovery would signify that total dollars received from the monetized sale equal total dollars spent to procure and handle the commodity. Full cost recovery may not be attainable in all situations, or even appropriate given local market dynamics. Importantly, however, less than full cost recovery reduces funds available for Title II programming.

### Calculation

To properly calculate cost recovery, PVOs will need to know the full cost of the commodity to the USG, including commodity and freight (CFR), any applicable port and handlings costs, custom duties, and any applicable inland transport costs. CFR is calculated by using the FAS quotation provided by FFP at the time of the call forward and the ocean freight rate. Depending on the terms of sale, additional costs may need to be added to account for port clearing and handling costs and duties, estimated transport costs to move the commodity to the point of sale, and expenses associated with marketing the commodity. As noted, to properly calculate cost recovery, PVOs may need to add applicable custom duties, depending on whether it is possible to obtain duty-free status for the Title II commodity destined for monetization.

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## Reporting

PVOs must report on cost recovery in annual Pipeline and Resource Estimate Proposal (PREPs) submissions to USAID.

# Appendix I:

## Data Sources

### Trade Data

Because sources often report differing figures, PVOs will need to corroborate and triangulate data and information, usually by relying on key informants in-country.

### Primary International Databases

Online international trade databases are a good starting place for data on declared imports and exports.

[United Nations \(UN\) Comtrade](#). The United Nations Commodity Trade Statistics Database (UN Comtrade) contains detailed import and export statistics reported by statistical authorities of close to 200 countries or areas. All users have free access to all data available in the UN Comtrade database. There is a download limit of 50,000 records per data query, but there is no limit on the number of data queries a single user can request. Typical queries for a single country's trade with partners over a five-year period typically produce several hundred to several thousand entries.

[International Trade Centre \(ITC\) Trade Map](#). The ITC Trade Map provides on-line access to the world's largest trade database and presents indicators on export performance, international demand, alternative markets, and the role of competitors from both the product and country perspective. Annual data are based on UN Comtrade, and monthly or quarterly data are collected by ITC from national custom offices or regional organizations. The market access data are directly retrieved from the Market Access Map application.

[Food and Agriculture Organization of the UN \(FAO\) STAT](#). FAO-STAT provides time-series and cross-sectional data relating to food

### Learn More: US commodity specifications

To learn more about the specifications of US commodities, the [US Federal Grain Inspection Service \(FGIS\)](#) provides an online resource that explains US grades and standards.

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and agriculture for some 200 countries. FAOSTAT has a number of separate but related modules. Note that current-year figures are frequently not available via FAOSTAT sources. For example, as of January 2011, most data are only available through 2008 or 2009.

[COMESA's COMSTAT](#). Member states of COMESA send external trade statistics data regularly from their national statistical offices to the COMESA Regional Centre for compilation of the Regional External Trade Statistics. Data often resemble UN Comtrade, but are not necessarily the same (description from source website).

[USDA PSD Online](#). The USDA FAS Production, Supply and Distribution (PSD) online database contains current and historical official USDA data on production, supply, and distribution of agricultural commodities for the United States and key producing and consuming countries. The database is updated with input from agricultural attachés stationed at US embassies around the world, FAS commodity analysts, and country and commodity analysts at USDA Economic Research Service (ERS) (description from source website).

[USDA GAIN reports](#). Published since 1995, these reports provide timely information on the agricultural economy, products, and issues in foreign countries that are likely to have an impact on United States agricultural production and trade. US Foreign Service officers working at posts overseas collect and submit information on the agricultural situation in more than 130 countries to USDA's Foreign Agricultural Service (FAS), which maintains the GAIN reports.

[FEWS NET](#). The Famine Early Warning Systems Network (FEWS NET) is a USAID-funded activity that collaborates with international, regional, and national partners to provide timely and rigorous early warning and vulnerability information on emerging and evolving food security issues. FEWS NET professionals in Africa, Central America, Haiti, Afghanistan, and the United States monitor and analyze relevant data and information in terms of its impacts on livelihoods and markets to identify potential threats to food security. FEWS NET also reports on food security conditions in a number of countries receiving food assistance. FEWS NET Price Bulletins, Price Watches, Regional Markets reports, Cross Border Trade re-

## Learn More: FAOSTAT

FAO TradeSTAT provides comprehensive, comparable, and up-to-date annual trade statistics by country, region, and economic country groups for about 600 individual food and agriculture commodities. The detailed food and agriculture trade data collected, processed and disseminated in TradeStat is mainly provided by the national authorities and other international organizations.

FAO ProdSTAT provides production figures by country.

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ports, and regular monthly reports (which provide information on imports, exports, prices, market information, agricultural calendars, etc), can all be very useful when compiling data and information to estimate the size of a commodity's market for monetization (description from source website).

[World Food Programme \(WFP\)](#). WFP collects a variety of data and information that may be relevant to market analysis for monetization. WFP publishes a variety of reports that are available to the public, including: Comprehensive Food Security and Vulnerability Analysis (CFSVA), Crop and Food Security Assessment Mission (CF-SAM), Emergency Food Security Assessment (EFSA), Food Security Monitoring System (FSMS), Joint Assessment Mission (JAM), Market Assessments and Bulletins, and Regular Inter-Agency Assessments.

## Secondary International Databases

[FAO GIEWS](#) publishes briefs on many countries that receive food aid. These provide up-to-date information on the food security situation of developing countries. The Country Briefs include information on current agricultural season and the harvest prospects for main staple food crops and livestock. In addition, the briefs provide estimates and forecasts of cereal production and imports, together with food price and policy developments. The Briefs are updated no less than six times per year.

[FAO's CountryStat](#) aims to provide "accessible, high-quality, nationally owned statistics on food and agriculture." The project has a goal of providing global coverage. As of September 2012, CountryStat is available for 23 countries.

[The USDA Foreign Agricultural Service's Global Agricultural Trade System \(GATS\) Online database](#) provides detailed data on trade between the United States and other countries. It should be the same data as reported to Comtrade, but in some cases it may be more up-to-date.

[The USDA Foreign Agricultural Service BICO Reports](#) reflect annual trade between the US and its trading partners, by agricultural

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product. The data can be reported for US exports or imports, and by fiscal or calendar year.

[Argentina's Ministry of Agriculture, Livestock and Fishing](#) has an on-line database that provides export data for major grains and oils to Argentina's trading partners. The database also provides harvest reports useful for predicting potential future competitor prices.

The [Argentine Bolsa de Cereales](#) provides a variety of market information and services for commodities bought and sold on the exchange, including market reports and analyses, production estimates, and weather and climate forecasts for the agricultural season. Commodities covered include wheat, maize, soy, and sunflower, among others.

The [European Commission's Eurostat](#) online database may also be useful, as it lists external trade from countries within the European Union. As of January 2011, refer to: Statistics/External Trade/Database and expand EU27 External Trade Since 1995 by HS 6.

A variety of market information is available from the [South African Grain Information Service \(SAGIS\)](#), which provides trade and production estimates for maize, oilseeds, sorghum, wheat, barley and oats. SAGIS's goal is to gather, process, analyze, and distribute reliable agronomic information to all stakeholders on a timely basis.

Agricultural production and trade data for China are available online via the [National Bureau of Statistics](#). Data for the most current year available (as of summer 2012) is located here: <http://www.stats.gov.cn/tjsj/ndsj/2011/indexeh.htm>.

Additionally, in-country or regional offices of US commodity promotion and export organizations, such as US Wheat Associates, American Soybean Association, the US Rice Federation, etc., all have relevant and up-to-date information on import and consumption patterns (including seasonality), spot and futures prices, price trends, potential buyers, and brokers. As one example, US Wheat Associates staff can advise PVOs on the preferred wheat class and quality specifications for a particular country's markets. The association maintains, and can share with PVOs, market data such as consump-

### Learn More: Mirror data

It may be necessary to look at mirror statistics, which are statistics reported by other countries for trade to the country of study. While this is not preferable due to the nature of mirror statistics, in the absence of official declared data, it can be a second best option.

### Take Note

Other major grain and food commodity surplus countries have statistics available online, though the breadth, quality, and currency of statistics vary.

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tion trends as well as mill and bakery information for Title II countries.

## Local Sources

Data from US and international sources should be complemented by official local statistics and private sector information whenever possible, which will allow for another level of triangulation across sources. Local sources typically include central statistics offices, ministries of agriculture, central banks, and ministries of finance.

Major traders will have an understanding for volumes of trade flow in a country, and should have an understanding of major markets, market catchment areas, supply and demand, etc. This information is particularly useful to ground-truth the information that is collected from international and national sources, and will likely provide valuable insights. Commercial actors are understandably reluctant to reveal potentially proprietary market information, and may have a vested interest in mis-reporting market information to potential sellers.

### Take Note

PVOs should triangulate all data and information from all sources of market information before arriving at any estimates.

## Production Data

Production data and trends may be useful in determining whether historical sources of a commodity will be the likely source for that commodity in the future. Many sources exist. Some useful sources include:

[USDA World Supply and Demand Analysis \(WASDE\) report](#) provides USDA's comprehensive forecasts of supply and demand for major US and global crops and US livestock. The report gathers information from a number of statistical reports published by USDA and other government agencies, and provides a framework for additional USDA reports. Historical reports are available.

[FAO GIEW's Food Outlook](#) is a biannual publication (May/June and November/December) focusing on developments affecting global food and feed markets. The sub-title "Global Market Analysis"

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reflects this focus on developments in international markets, with comprehensive assessments and forecasts on a commodity by commodity basis. Food Outlook maintains a close synergy with another major GIEWS publication, Crop Prospects and Food Situation, especially with regard to the coverage of cereals.

[FAO Crop Prospects and Food Situation report](#) is a quarterly publication focusing on developments affecting the food situation of Developing countries and Low-Income Food-Deficit Countries (LIFDCs), in particular. The report provides a review of the food situation by geographic region, a section dedicated to LIFDCs and a list of countries in crisis requiring external assistance. It also includes a summary of the global cereal supply and demand situation to complement the biannual analysis in the Food Outlook publication (description from source website).

[FAO Monthly News Report on Grains](#) includes select articles from the international media and news sources on issues or factors which are considered critical in shaping the regional/global grains economy. The MNRs also include statistical briefs and other information about meetings/events as well as relevant new publications and/or websites (description from source website).

[International Grain Council \(IGC\)](#) has a number of products that may be relevant to monetization analysis. Most products are available on a fee basis. Select publications of interest include the following (description from source website):

- [IGC's Grain Market Report](#) reviews the current situation and outlook for wheat (including durum), coarse grains (including maize (corn), barley, sorghum, oats and rye), oilseeds, and rice. Separate chapters cover production, trade, consumption, stocks, prices, ocean freight rates, and national policy developments.
- [World Grain Statistics](#) (annual) contains detailed Excel tables on production, trade, consumption, stocks and prices for wheat (including durum and wheat flour), coarse grains, rice, and oilseeds. Additional tables deal with ocean freight rates. Most tables cover a 10-year period.



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[Agrimoney](#) provides data and information on global commodity markets.

[HGCA](#) is the cereals and oilseeds division of the UK's Agriculture and Horticulture Development Board (AHDB). Its website provides access to data related to cereal and oilseed markets. Historical time series data are available.

[Strategie Grains](#). A detailed monthly reference publication for cereal market analysis in Europe, price forecasting, and decision making for grain trade. A fee based publication.

[FEWS NET's Drought and Flood Assessment reports](#) highlight weather hazards that could affect food security for Africa, Haiti, Afghanistan, and Central America.

[FEWS NET](#) occasionally publishes reports on issues related to global production. These will frequently be located in its Special Reports section.

USGS [FEWS NET Data Portal](#) provides access to geo-spatial data, satellite image products, and derived data products in support of FEWS NET monitoring needs throughout the world. This portal is provided by the USGS FEWS NET Project, part of the Early Warning and Environmental Monitoring Program at the USGS Earth Resources Observation and Science (EROS) Center.

Weather-related products are available through the [National Oceanic and Atmospheric Administration \(NOAA\)](#).

USGS also provides information for other programs via its [Early Warning and Environmental Monitoring Program \(EWEM\)](#). EWEM encompasses a broad spectrum of scientific endeavors operating at national, regional, and international scales. EWEM project activities support investigations in the areas of climate change, natural resource management, environmental change detection, food security monitoring, water resource assessments, and hazard identification/mitigation (description from source site).

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[Martell Crop Projections](#) is an industry-leading source of detailed, timely crop and weather analysis in corn, soybeans and wheat. This is a fee based resource.

## Food Aid Data

Most sources reporting international trade include food aid in figures on external trade. For that reason, to accurately estimate commercial trade, food aid figures should be subtracted from totals, where and when possible.

Food aid shipments reported across the publications listed below frequently do not agree, due to issues such as different reporting cycles (e.g. calendar vs. fiscal year) or access to different information. To the extent possible, PVOs should triangulate data across sources to increase their level of confidence in the data.

[IGC](#). The International Grains Council compiles information from members of the Food Aid Convention on their food aid operations in [this July–June publication](#). Historical data are available for purchase.

[WFP Interfais](#). Data on global food aid deliveries in metric tons are available in the database of the International Food Aid Information System (INTERFAIS), which was developed by WFP as a contribution to a coordinated international response to food aid shortages.

[FAO](#) publishes food aid data, but it appears to be primarily replicated from the Interfais site, listed above.

US sources:

- USDA publishes food aid figures for all US agencies engaged in international food assistance. PDFs of program food aid are available for FY92-FY09. [Spreadsheets of data](#) are available for FY04-FY09. Note that this site works best in Internet Explorer. Most figures are for program food aid.
- [USAID](#). For official purposes, USAID/FFP is permitted to share data on its food assistance operations. Requests for data should be sent to the relevant CBO or AOR.

### Learn More: Data inconsistencies

Food aid shipments reported across the publications listed below frequently do not agree, due to issues such as different reporting cycles (e.g. calendar vs. fiscal year) or access to different information. To the extent possible, PVOs should triangulate data across sources to increase their level of confidence in the data.

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- [ForeignAssistance.gov](https://foreignassistance.gov). The new Foreign Assistance Dashboard provides a view of US Government foreign assistance funds and enables users to examine, research, and track aid investments in a standard and easy-to-understand format.

It is also very helpful to contact current and past PVOs who have been active in monetization in the past to inquire about their experience in-country. PVOs that have recently monetized or are currently monetizing commodities should have valuable information on dates and prices of past sales, local market prices, competitive environment in target area, means for calculating import parity prices, and relevant taxes and duties.

Additionally, PVOs should contact local government agencies that coordinate with donor countries to collect data. These agencies may capture details that are not included in the data and information sources above, and which will provide further insight into the market and food aid environment in question.

## Price Data

There are a wide variety of resources available online for price data. Some provide free access to data while others require a subscription or one-time payment. Some useful free sites include:

- [World Bank Pink Sheets](#)
- [IMF Primary Commodity Prices](#)
- [USDA GAIN](#) reports for major exporting countries frequently have relevant price information (see above)
- [FEWS NET](#) price watches, bulletins, etc. (see above)
- [WFP](#) (see above)

FAO has a number of price utilities and resources that may be useful in determining historical and local prices for food commodities:

- [FAO PriceStat](#) (part of FAOSTAT, mentioned above) contains annual data on prices received by farmers (producer prices) for primary crops, live animals, and livestock primary products as collected at the point of initial sale (prices paid at the farm-gate).

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Data are provided for over 130 countries and for some 200 commodities, representing over 97 percent of the world's value of gross agricultural production (at 1999-2001 International Dollar Prices). Note that while historical price series are available, they are typically one to two years out of date (e.g. as of January 2011, prices are only available through 2008.)

- [FAO's International Price Monitor](#) is another price resource available from FAO. Historical prices are available for major export commodities.
- [The Rice Market Monitor](#) provides an analysis of the most recent developments in the global rice market, including a short-term outlook. Historical prices by major varieties are available in published PDF documents
- [GIEWS National basic food prices](#) - data and analysis tool useful for finding prices (often at the retail level) for commodities that are important for local consumption.
- GIEWS also publishes the [Global Food Price Monitor](#), a report that covers prices at the global, regional, and country level, with an overall focus on developing countries.

[HGCA](#) is the cereals and oilseeds division of the UK's Agriculture and Horticulture Development Board (AHDB). Its website provides access to data related to cereal and oilseed markets. Historical time series data are available.

[AgriMarket](#) provides price data available for commodities from the Black Sea area. Note that the ability to download price data is a fee based service, and the Russian language version of site appears to have more data available on commodities from Russia.

[Argentine Ministry of Agriculture, Livestock and Fishing](#) has an on-line database of prices for export commodities.

## Commodity-Specific Price Data

Wheat and grains:

- Prices available for many commodities grown in the US available via the [USDA Livestock, Grain and Marketing News](#).

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- Various international sources quoted by [South African Grain Information Exchange](#) (SAFEX), via IGC, for wheat, maize, sorghum, soybeans and barley.
  - US Wheat Associates [Weekly Price reports](#).
  - Hard Red Winter Wheat (HRW) prices from [Kansas City Board of Trade](#).
  - Hard Red Spring Wheat (HRS) and Soft White Wheat (SWW) from the [Minneapolis Grain Exchange](#).
  - Various commodities (Soft Red Winter Wheat (SRW), Soybean, Soybean oil, Soybean Meal, Corn/Maize, etc.), from the [Chicago Board of Trade](#).
  - [Fryer's Reports](#), a paid subscription service, is a good source of international grain and oilseed market information, including prices and volumes traded.
  - [Creed Rice Report](#) is a weekly report providing useful price and market information on the worldwide rice market.
  - The website [oryza.com](#) provides up to date international rice prices on an FOB basis.

#### Lentils and Pulses:

- [Statpub.com](#) offers price series for lentils and some pulses, as well as information on other commodity markets. A fee-based site.

#### Oils:

- [USDA prices](#) for period 2004-2009
- [Oil World](#) provides information and forecasts of the current and prospective world supply, demand, and prices for oilseeds, oils, fats and oilmeals for the oilseed, oil and feed industries as well as the trade, organizations, banks, and government agencies worldwide. It is a subscription based service.
- [Understanding Dairy Markets](#), homepage of the University of Wisconsin Dairy Marketing and Risk Management Program, contains useful market and price information concerning US and

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global dairy markets.

- [Dairy Market News Portal](#), a customizable database for current and historical information on dairy products, with domestic and International prices for Nonfat Dry Milk.

## Cost Recovery Price Data

Many of the sources listed above can be used for the calculation of cost recovery. However, since cost recovery focuses on the actual cost of the commodity in the US, US-oriented sources focused on US commodity prices will be the most useful during the early planning stages, when PVOs wish to estimate cost recovery for possible commodity choices. Possible sources include:

- [USAID FFP Quarterly Commodity and Ocean Freight Price Estimates](#)
- [USDA Livestock, Grain and Marketing News](#) database
- [USDA's yearbook tables](#) on wheat data
- [USDA oilseeds prices](#)
- [USDA's Dairy Market News Portal](#), for domestic and International prices for nonfat dry milk
- [University of Wisconsin Dairy Marketing and Risk Management Program](#)
- [US Wheat Associates Weekly Price reports](#)
- [Kansas City Board of Trade](#)
- [Minneapolis Grain Exchange](#)
- [Chicago Board of Trade](#)
- [Creed Rice Report](#)
- [Statpub.com](#)
- [Oil World](#)

Note that on US commodity exchanges, grains are traded in bushels (Bu.), vegetable oil is traded in pounds (Lb.) and some commodities are traded in hundredweight (Cwt.). Below are some common conversions to help compute the MT value for the information provided by the above internet sites:

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Pounds to Kilograms and Metric Tons (MT):

1 pound (lb) = 0.453592 kgs

2.204623 lbs = 1kg

2204.623 pounds (lbs) = 1 MT

Bushel (Bu.) Weights:

1 Bushel (Wheat/Soybeans) = 60 Lbs.

1 Bushel (Corn/Sorghum) = 56 Lbs.

Hundredweight (Cwt.):

1 Cwt. = 100 Lbs.

1 MT = 22.0462 Cwt.

Bushel to Metric Tons:

36.743 Bushels (Wheat/Soybeans) = 1 Metric Ton (MT)

39.368 Bushels (Corn/Sorghum) = 1 Metric Ton (MT)

## Transport Data

During the early planning stages, when PVOs wish to estimate cost recovery for possible commodity choices, a number of sources of transport costs are available.

A natural starting point, the PVO's US freight forwarder should be a valuable source for international commercial freight rates.

[The USDA's weekly Grain Transportation Report \(GTR\)](#) developments affecting the transport of grain, both in the domestic and international marketplace. This weekly publication reports on the latest volume and price data for barges, railroads, trucks, and ocean vessels involved in the transport of grain.

[IGC](#) offers a monthly publication listing published and calculated freight rates. Note that pricing practices in the international shipping market are not transparent, since most rates are negotiated between buyer and seller of the service and reflect multiple factors.

[US Wheat Associates](#) also report freight rates for select major US port locations to major markets around the world.

## Appendix 2:

# Sample Monetization Sales Contracts

Each monetization sale is unique. These samples may serve as a reference for PVOs in planning monetization sales; however, PVO staff (including, for example, monetization managers, senior management, and lawyers) are responsible for ensuring that final negotiated contracts best represent current conditions and requirements. These contracts are between PVOs and their buyers; USAID is not a party to any of the contracts.

## Sample I

These sample contracts are NOT to be used as a template for direct use. These samples are non-binding, are only provided for background information purposes, and are not endorsed by USAID.

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### PURCHASE AND MONETIZATION SALE AGREEMENT

#### FOR U.S. Food for Peace TITLE II COMMODITIES

(Large Lot Sales)

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This agreement is made the \_\_\_\_ day of \_\_\_\_\_ 20\_\_ between the SELLER and PURCHASER.

#### **PREAMBLE:**

WHEREAS, the Seller is a non-profit organization registered as a Cooperating Sponsor with the U.S. Agency for International Development (USAID) authorized to monetize Food for Peace Title II commodities pursuant to a signed Agreement with the Government of (*insert name of country*);

WHEREAS, USAID has approved the allocation of Food for Peace Title II commodities for monetization in (*insert name of country*);

WHEREAS, the Purchaser is desirous of purchasing Food for Peace Title II commodities as defined below; and,

WHEREAS, Seller represents and is acting for and on behalf of participating members of the (*insert country name*) Food for Peace Title II Monetization Consortium (the “Consortium”) all of whom are non-profit, non-governmental organizations using the proceeds of the monetization sale in support of the cost of development and humanitarian assistance projects in (*insert name of country*);



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## THE PARTIES

**Seller:** The Seller is *(insert legal name of organization and legal representative of organization)* (hereinafter referred to as “Seller”), a non-profit organization with its principle place of business at the address of:

Company Name:

Legal Representative of Company:

Address/Telephone/Fax/E-Mail:

**Purchaser:** The Purchaser is *(insert legal name of purchaser and legal representative of purchasing company)* (hereinafter referred to as “Purchaser”), with its principle place of business at the address of:

Address/Telephone/Fax/E-Mail:

**NOW THEREFORE, the Seller and Purchaser agree as follows:**

### I. DEFINITIONS

In this Sales Agreement unless the context indicates otherwise, the following words and phrases shall have the meaning assigned to them hereunder:

- A. “Commodity” shall mean *(insert full technical description of commodity including grade, standards, etc.)*.
- B. “Complete Order” shall mean a total of *(insert number written in letters)* metric tons *(insert number written in numerals)* MT of Commodity as defined, delivered in/with the Packaging, with an agreed variance in quantity of plus/minus \_\_\_\_percent (+/- \_\_\_\_ %). (Please ensure consistency with USDA language).
- C. “Days” shall mean business days (excluding any official non-work days in the country and official public holidays).
- D. “Delivery” shall mean delivery of the Commodity together with bills of lading and Shipping Documents as described in III.B.3 required to effect proper and complete transfer of the Commodity from the Seller to the Purchaser.
- E. “Packaging” shall mean *(insert appropriate description: [25 Kg (55 lb.) bags of multi-wall paper (a minimum of 3-ply of paper) with inner polyethylene or polypropylene plastic liner and treated to provide wet strength] OR [50 Kg (110.23 Lb.) woven polypropylene bags in which the fabric contains an inhibitor to resist ultra-violet absorption and has an anti-skid coating] OR [4-Liter cylindrical tins, 4-Litre plastic jugs, 20-Litre steel pails, or 208-Litre steel drums])* with abbreviated markings showing Commodity names, net weight, USAID markings and contract number, as appropriate.
- F. “Payment Guarantee” shall mean a bank guarantee; surety; or negotiable, confirmed, irrevocable Letter of Credit, established by the Purchaser in an amount equal to the total Purchase Price or an amount agreed to prior, payable to the Seller at sight and/or terms as described in III.B issued by a national or international financial institution acceptable to Seller.
- G. “Purchase Price” shall be *[insert total value in agreed currency - # of metric tons multiplied by price per metric ton - written in both letters and numbers/use only a stable, internationally convertible currency]* which is equal to the *(insert price per metric ton in numbers)* per MT multiplied by the total number of MTs as defined by the Complete Order.
- H. “Specifications” shall mean the quality, standard, and/or type of Commodity, as determined by the

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USDA and as incorporated at I.A, above.

- I. "USDA" shall mean the United States Department of Agriculture.
- J. "Vessel" shall mean the vessel used to transport the Commodity. The performing vessel(s) shall be chartered in accordance with the freight tender procedures of the Food for Peace Title II program.

## II. EXPRESS CONDITIONS OF THIS SALE

- A. The sale of the Commodity is expressly conditioned upon:
  - 1. USAID supplying the Commodity to Seller;
  - 2. All right, title and interest in the Commodity is determined by and subject to applicable United States laws and regulations.
  - 3. Until delivery, the United States Government/Commodity Credit Corporation (hereinafter "CCC") retains all rights and interests in and to claims against the ocean carrier in case of Commodity damage. CCC is responsible for settling General Average and marine salvage claims.
  - 4. The Purchaser may not re-export the raw (unprocessed) Commodity purchased under this Agreement from (*insert name of country*).
- B. **In the event that the conditions outlined at II.A. I, above, are not met this Agreement shall automatically terminate without liability to either party.**

## III. PAYMENT

- A. Within ten (10) days of the execution of this Agreement, Purchaser will provide Seller (by (include format) faxed, scanned, original, etc.) with a letter of intent from the Purchaser's bank stating that such bank is under instruction and proceeding to open up the Payment Guarantee in favor of the Seller.
- B. The Payment Guarantee shall:
  - 1. Be open and effective not less than five (5) days prior to the commencement of the Vessel loading in the United States.
  - 2. Remain in full force and effect until such time as the outstanding balance of funds owed to the Seller has been paid in full, or until the expiration of this agreement, whichever occurs first.
  - 3. Provide for payment on site for each consignment (in the percentages referenced at 4, below) on the following terms and against the following documents (hereinafter referred to collectively as the "Shipping Documents") as applicable:
    - a. Seller's Invoice;
    - b. Three (3) original and three (3) copies of Bill of Lading marked "freight prepaid" or words of similar substance;
    - c. Two (2) original and two (2) copies of FGIS Weight Certificate;
    - d. One (1) original Phytosanitary Certificate;
    - e. One (1) Certificate of Origin; and,

- f. *(Insert number)* original(s) and *(insert number)* copies of SGS Clean Report of Findings (CRF).
    - g. *(Describe any other required documents)*.
- C. Purchaser shall waive any discrepancies between the Payment Guarantee and the above-referenced documents that are:
  - 1. In the nature of typographical or clerical errors; or,
  - 2. Not prejudicial to Purchaser insofar as they relate to the specifications of the Commodity.
- D. The parties may agree, in writing acknowledged by each, to waive any requirements relating to payment under the Payment Guarantee.
- E. Payment against the Payment Guarantee shall be made as follows:
  - 1. One hundred percent (100 percent) payment on sight against the Shipping Documents after loading if shipping in a single consignment; or,
  - 2. In the event of more than one consignment, as applicable:
    - a. *(insert percentage written in letters)* percent *(insert percentage in numerals)* % payment on sight against the first consignment of *(insert number in numerals)* MT,
    - b. *(insert percentage written in letters)* percent *(insert percentage in numerals)* % payment on sight against the second consignment of *(insert number in numerals)* MT; and,
    - c. *(insert percentage written in letters)* percent *(insert percentage in numerals)* % payment on sight against the third consignment of *(insert number in numerals)* MT.
- F. In the event of short-landing as determined by the discharge survey report at the time of each discharge, any reimbursement owed by the Seller will be determined and adjusted for Purchaser's account within 30 days after Seller receives the discharge surveyor's report.

#### **IV. LOADING, SHIPMENT(S) & DELIVERY**

- A. The Commodity will be loaded and shipped in *[a single]* or *[insert number of shipments under this contract]* consignment(s), as applicable, from the United States port of export (US Port) to *(insert names of port(s) to which commodity will ship)*(hereinafter referred to as "Port(s) of Discharge"), as follows:
  - 1. The Complete Order of the Commodity, subject to the agreed variance, at US Port between *(insert date range, including year, for loading)*; or,
  - 2. In the event of more than one consignment:
    - a. first consignment of *(insert number in numerals)* MT of the Commodity, subject to the agreed variance, at US Port between *(insert date range, including year, for loading)*;
    - b. second consignment of *(insert number in numerals)* MT of the Commodity, subject to the agreed variance, at US Port between *(insert date range, including year, for loading)*; and,
    - c. third consignment of *(insert number in numerals)* MT of the Commodity, subject to the agreed variance, at US Port between *(insert date range, including year, for loading)*.

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- B. Seller will:
1. Deliver the Commodity to the Port(s) of Discharge, (add any additional details on payment terms, liner terms, prepaid portions, packaging, etc.).
  2. Use reasonable and all efforts possible to keep Purchaser informed of status of Vessel loading.
  3. Provide the Purchaser fourteen (14), ten (10) five (5) and three (3) days notice of the vessel's ETA at the Port(s) of Discharge so as to enable the Purchaser to make the necessary arrangements to accept Commodities.
  4. Appoint a surveyor at discharge to inspect the condition of the cargo. This survey report will include a narrative description of the types and kind of Commodities involved, quantities landed, short-landed, fit and unfit, the circumstances leading to the condition and surveyor's assessment of liability.
- C. Purchaser will:
1. Arrange, at Port(s) of Discharge, at its own expense for its own benefit, sufficient wagons/ transport and/or storage facilities to receive cargo as fast as the vessel can discharge during normal working hours.
  2. Agree that any delay and/or loss and/or damage and/or risk resulting from non-availability of Purchaser's conveyances or storage facilities to meet port/vessel discharge operations shall be for the account and risk of the Purchaser.
  3. Confirm to the Seller that the appointed discharge surveyor is in attendance at discharge and assist the surveyor as customary during the discharge of Commodity.
  4. Notify the Seller and the discharge surveyor of any damage to the Commodity discovered at discharge.
- D. Delivery to Purchaser is deemed effective at end of ships' tackle (*Liner Terms*) at Port(s) of Discharge. Upon discharge at Port(s) of Discharge the Purchaser assumes all risk of loss of the Commodity.
- E. Commodity weight and specifications are final at (*loading / discharge*) per surveyor's Clean Report of Findings (CRF).

## V. DEFAULT IN DELIVERY / FORCE MAJEURE

- A. Purchaser shall pay the Seller only for that portion of the Commodity delivered in accordance with the terms of this Agreement.
- B. Seller may terminate this Agreement in accordance with the terms of provision IV.D, without prejudice to any other rights of Seller in the event the Purchaser fails to:
1. Open the Payment Guarantee by the time required by provision III.B.1 of this Agreement; or,
  2. Keep the Payment Guarantee open during the time required by provision III.B.2 of this Agreement.
- C. Paragraphs V.A-B notwithstanding, the non-performance of either party to this contract shall be excused if such failure to perform, including delay in delivery, is attributable to any cause or reason beyond the parties' control, including, without limitation, perils of the sea or other waters, collisions, wrecks, stranding, jettison, fire from any cause, strikes, acts or omissions of USDA or USAID, civil

disturbances, floods, Acts of God, or any other cause beyond the parties' control.

## VI. GENERAL TERMS AND CONDITIONS

- A. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement between the parties and supersedes any prior or contemporaneous agreements, whether oral or written, with respect to the subject matter contemplated herein.
- B. **AMENDMENT.** Any agreement to amend the terms hereof shall be of no force or effect, unless reduced to writing and signed by all the parties.
- C. **WAIVER.** No indulgence, waiver or relaxation by a party will constitute a waiver or abandonment of any right or duty of that party, unless agreed to in writing.
- D. **NOTICE.** All notices, accounting reports, submission for approval and other communications required under this Agreement will be:
1. In writing;
  2. Delivered to the addresses/facsimile numbers provided at the Section entitled PARTIES, above, (unless the addresses/numbers have been amended in accordance with this provision); and,
  3. Considered delivered:
    - a. **when sent** if personally delivered, sent via facsimile to the correct fax number, sent via email (properly addressed);
    - b. **upon receipt** when dispatched via courier, return receipt requested;
    - c. **two (2) days after dispatch** when sent via telegram or telex; or,
    - d. **eight (8) days after deposit with the postal service**, prepaid, registered mail, properly addressed.
- E. **BREACH.** In the event that either party [PURCHASER or SELLER] commits a breach (the “breaching party”) of any obligation owed by it to the other party (the “non-breaching party”), the non-breaching party shall give the breaching party written notice and provide seven (7) days to the breaching party to remedy such breach. In the event the breaching party does not take all reasonable steps to cure the breach, the non-breaching party may:
1. Cancel this Agreement, subject to the reservation of the non-breaching party’s rights; or
  2. Compel performance of obligations by the breaching party.
- F. **SEVERABILITY AND DIVISIBILITY.** If any section, paragraph, clause or provision of this Agreement is judged, construed or interpreted by a court of competent jurisdiction to be void, invalid or unenforceable, such decision shall not affect the remaining provisions of this Agreement.
- G. **APPLICABLE LAW.** Regardless of the place of execution, performance or domicile of the parties, this Agreement and all modification and amendments hereof shall be governed by and construed in accordance with the laws of and regulations governing Food for Peace Title II commodities and to the extent not contradictory, the contract laws of the (*insert name of country*).
- H. **ARBITRATION.** Purchaser and Seller agree that any controversy, claim or dispute arising in connection with this contract or its interpretation, performance or breach thereof shall be settled

by arbitration in the *(insert location)* before the American Arbitration Association, or its successors, pursuant to the applicable Arbitration Rules of the American Arbitration Association, as those Rules may be in effect at the time of such arbitration proceeding, which are hereby deemed to be incorporated herein.

1. The arbitration shall be final and binding on both parties.
2. Purchaser and Seller hereby recognize and expressing consent to the jurisdiction over each of them of the American Arbitration Association or its successors.
3. Either party to the dispute will be entitled to require written notice in which particulars of the dispute are set out and that the dispute be submitted to arbitration in accordance with the terms of this Agreement.

I. **IMPORT OF THE COMMODITIES, DUTIES AND TAXES:**

1. Purchaser is solely responsible for obtaining the necessary import licenses, custom clearances and any other authorization needed to import the Commodity to \_\_\_\_\_.

All taxes, duties and levies in the *(insert name of country)* in respect of this Agreement shall be borne by the Purchaser (please note any potential agreements between the Seller, the US Government, and the Government of *(insert name of country)* regarding import taxes).

J. **FITNESS TO PERFORM:** Each party expressly confirms to the other that it has the ability to make all perform its obligations under this Agreement.

K. **COUNTERPARTS.** This Agreement shall be signed in three (3) original counterparts, one (1) for the Purchaser and two (2) for the Seller, all counterparts together constituting one Agreement. The parties are entitled to rely on an executed counterpart agreement delivered by facsimile transmission to the extent as an executed counterpart agreement with an original signature.

**IN WITNESS WHEREOF**, the parties set their hand and seals in the presence of witnesses on the dates written (please include any country-specific requirements, i.e. notary public seals, stamps, etc.).

**SELLER (Duly Authorized, Date):**

\_\_\_\_\_

Witnesses:

(1) \_\_\_\_\_

(2) \_\_\_\_\_

**PURCHASER (Duly Authorized, Date):**

\_\_\_\_\_

(1) \_\_\_\_\_

(2) \_\_\_\_\_

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## Sample 2

These sample contracts are NOT to be used as a template for direct use. These samples are non-binding, are only provided for background information purposes, and are not endorsed by USAID.

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### **PURCHASE AND MONETIZATION SALE AGREEMENT FOR U.S. Food for Peace TITLE II COMMODITIES (Small Lot Sales)**

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This agreement is made the \_\_\_ day of \_\_\_\_\_ 20\_\_ between SELLER and BUYER

WHEREAS, the SELLER is the recipient of commodities from the United States Government; and,

WHEREAS, the BUYER has offered to purchase a portion of the commodities from the SELLER, upon the terms and conditions set out in the CALL FOR TENDERS.

NOW THEREFORE, the BUYER and SELLER agreed as follows:

#### DEFINITIONS:

**BUYER:** is *(insert name of seller)* with its principle place of business at: *(insert full mailing address with telephone number, email and fax number)*

**COMMODITY:** *(insert full technical description of the commodity, including grade, standards, etc.)*

**DEPOSIT:** *(if applicable to purchase)*

**PACKAGING:** shall mean *(insert appropriate description of the packaging)* with markings showing Commodity names, net weight, and donor requirements, as appropriate.

**PURCHASE PRICE:** the total price set forth in the BUYER'S bid, as accepted by the SELLER on *(insert date of acceptance)* less the deposit in the amount of *(insert amount and specify currency)*, the receipt of the deposit by the SELLER is hereby acknowledged.

- (a) **SELLER:** is *(insert name of seller)*, a non-profit organization with its principle place of business at: *(insert full mailing address with telephone number, email and fax number)*.

---

## **I. SALE AND QUANTITY**

The SELLER hereby agrees to sell to the BUYER and the BUYER hereby agrees to buy from the SELLER \_\_\_\_\_ (insert number of bags/cartons) of (insert commodity) weighing approximately (insert total kg per bag/carton) each at a price of (insert price per unit) per (carton/bag).

## **2. PAYMENT**

The BUYER shall pay to the SELLER the PURCHASE PRICE as follows;

- (a) *(insert amount and specify currency)* in the form of cash, bank draft, certified check, bank guarantee or letter of credit on or before *(insert date, year and time, including time zone designation – this date should conform with the requirements of 5\_\_\_ below)*.
- (b) Payment shall be to SELLER'S account at *(insert bank name, branch address and account number, as appropriate)*.
- (c) Failure to pay the PURCHASE PRICE within the required time limit shall: nullify and void this AGREEMENT; result in the forfeiture of the BUYER'S deposit in favor of the SELLER; and, entitle the SELLER to sell the COMMODITY to another qualified buyer.

## **3. DELIVERY / RISK**

- (a) The SELLER shall deliver the COMMODITY to a warehouse nominated by the SELLER no later than *(insert date, year and time, including time zone designation)* and BUYER shall take delivery of the COMMODITY at the SELLER'S warehouse.
- (b) The risk of the loss or of damage to the COMMODITY shall remain with the SELLER until the date and time defined in 5(b) below, at which time it shall pass to the BUYER alone.
- (c) Costs for loading and transport from the SELLER'S warehouse shall be apportioned as follows: costs of loading COMMODITY to BUYER'S transport shall be borne by SELLER; and, the responsibility for ensuring transport is available at the SELLER'S warehouse on or before the acceptance date and time designated below and all costs of transport from the SELLER'S warehouse shall be borne by the BUYER.

## **4. INSPECTION AND ACCEPTANCE**

- (a) Seller will make the commodity available at the seller's warehouse after arrival and buyer inspection.
- (b) BUYER shall complete its inspection and either accept the COMMODITY or provide SELLER with written notice that the COMMODITY does not conform to the agreed specification by *(insert date, year and time, including time zone designation by which acceptance must be made)*.
- (c) Failure to take delivery or provide written notice of non-conforming COMMODITIES by the date specified in 5(b) shall constitute: immediate and irrevocable acceptance of the COMMODITY by the BUYER; and, BUYER assumes all risk of loss of COMMODITY and becomes liable for payment of the PURCHASE PRICE and the costs for the warehousing, maintenance, insurance, etc. for the COMMODITY.

## **5. TITLE AND WAIVER OF CLAIMS**

- (a) Title to the COMMODITIES shall pass to the BUYER upon delivery of the commodity and payment in full.
- (b) Upon acceptance the BUYER shall have no further right of rejection or claim for damages for any reason whatsoever and thereafter shall alone be responsible, liable and accountable for meeting market standards of quantity, description, weight, and quality of the COMMODITY.



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## 6. RE-EXPORT

The Buyer may not re-export the raw (unprocessed) Commodity purchased under this Agreement from (*insert name of country*).

## 7. DISPUTE RESOLUTION

All disputes in connection with this AGREEMENT, including its interpretation and liability or claim there under, shall be referred to an arbitration panel consisting of one arbitrator appointed by the SELLER, one arbitrator appointed by the BUYER, and a third arbitrator appointed by the first two arbitrators. The decision of the arbitration panel shall be accepted as binding upon both the SELLER and the BUYER.

## 8. WARRANTIES

The COMMODITIES are being sold subject to the agreed specifications and without any other warranties, express or implied. SELLER shall not be liable to BUYER for any non-conforming COMMODITY after the buyer takes possession of the commodity, the BUYER having had adequate opportunity to inspect and satisfy itself as to nature and quality of the COMMODITIES.

**IN WITNESS WHEREOF** the parties have caused this AGREEMENT to be executed in their respective corporate names by their respective duly authorized representatives on the dates written.

### **SELLER:**

(*insert full legal name of SELLER and organization*).

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Printed Name:

Title:

Date:

### **BUYER:**

(*insert full legal name of BUYER and company*)

---

Printed Name:

Title:

Date:

## Sample 3

These sample contracts are NOT to be used as a template for direct use. These samples are non-binding, are only provided for background information purposes, and are not endorsed by USAID.

### **PURCHASE AND MONETIZATION SALE AGREEMENT**

#### **FOR U.S. Food for Peace TITLE II COMMODITIES**

(Wheat Flour)

THIS AGREEMENT is made on this date \_\_\_\_\_ 20\_\_ between \_\_\_\_\_  
\_\_\_\_\_ (hereinafter called the “SELLER”) and \_\_\_\_\_  
of \_\_\_\_\_ (hereinafter called the “BUYER”).

WHEREAS the SELLER is to supply Food for Peace Title II All Purpose Wheat Flour (hereinafter called “Wheat Flour”), and whereas the BUYER, responding to an offer to sell from the SELLER, for the purchase of Wheat Flour from the SELLER, upon the terms and conditions set out in the SELLER’S CALL FOR TENDERS and the terms and conditions contained in this Acceptance of Tender and Sales Agreement.

NOW THEREFORE it is agreed as follows:

#### **I. QUANTITY**

The SELLER hereby agrees to sell to the BUYER and the BUYER hereby agrees to buy from the SELLER \_\_\_\_\_ bags of wheat flour of (insert weight) each.

#### **2. DESCRIPTION**

The wheat flour shall meet United States Department of Agriculture specifications as: (insert specifications, for example see below

- all-purpose flour milled from wheat of classes hard red spring, hard red winter, or soft red wheat or soft white wheat, or any combination thereof, as defined in the “Official United States Standards For Wheat”,
- conforming to the following chemical and physical requirements – Protein 9.0% minimum (14.0% moisture basis), Moisture 14.0% maximum, Falling Number 225 seconds minimum and 300 seconds maximum (14.0% moisture basis).

#### **3. PACKAGING**

The SELLER shall furnish the wheat flour packed in 50 Kg. woven polypropylene bags.

#### **4. PRICE**

The BUYER shall pay to the SELLER the total accepted bid price of \_\_\_\_\_ in accordance with the BUYER’S bid No. \_\_\_\_\_ for \_\_\_\_\_ bags as follows:

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(a) Total accepted bid price of \_\_\_\_\_/bag, less the five percent (5%) deposit in the amount of local currency \_\_\_\_\_ within five (5) business days of signing this contract, being no later than \_\_\_\_\_ (at the time) on \_\_\_\_\_ 20\_\_ (month, date, and year).

(b) Payment shall be made in the form a bank draft, certified check, bank guarantee or letter of credit acceptable to SELLER to the credit of the SELLER's deposit account Number: \_\_\_\_\_ at \_\_\_\_\_ Bank.

(c) Failure to pay the full purchase price within the required time limit shall render this AGREEMENT null and void, shall result in the forfeiture of the BUYER's deposit and shall entitle the SELLER thereafter to contract with other qualified bidders.

## **5. INSPECTION AND ACCEPTANCE**

(a) Upon arrival of the wheat flour, at a (add location) warehouse nominated by the SELLER, and before the delivery date identified in 6(a), the BUYER shall inspect and accept the wheat flour or give the SELLER written notice within five (5) business days after its inspection of any claim that the wheat flour does not conform to the specification or the terms of the contract.

(b) Failure to give timely notice of non-conformity shall constitute immediate and irrevocable acceptance of the wheat flour by the BUYER.

## **6. DELIVERY / LOSS RISK**

(a) The BUYER shall take delivery of the wheat flour at a warehouse nominated by the SELLER no later than \_\_\_\_\_ (at the time) on \_\_\_\_\_ 20\_\_ (month, date, and year), loading and transport from the warehouse being at the cost of the BUYER.

(b) Failure to take delivery after the above date shall be at the expense of the BUYER and BUYER shall pay for the cost of storage of the said wheat flour at the sum of (insert currency) \_\_\_\_\_/Metric Ton per day from the expiration of the delivery date to the time the BUYER takes physical possession of the wheat flour.

(c) The risk of loss or of damage to the wheat flour shall remain with the SELLER until the delivery at which time it shall pass to the BUYER alone. The taking of delivery shall for this purpose mean either actual delivery or the delivery date as described above, whichever first occurs.

## **7. TRANSFER OF TITLE**

(a) The title to the wheat flour in such quantities designated in paragraph I. QUANTITY shall pass to the BUYER upon payment in full.

(b) Such payment shall not in itself however prejudice the BUYER's right of inspection and rejection before taking delivery.

## **8. WAIVER OF CLAIMS**

(a) Upon taking delivery, or acceptance pursuant to paragraph 5(b), the BUYER shall have no further right of rejection or claim for damages for any reason and thereafter shall alone be responsible, liable and accountable for meeting market standards of quantity, description, weight, and quality of such wheat flour.

(b) Any conditions or warranties whatsoever on the part of the SELLER or to the BUYER or any other person regarding such wheat flour shall cease after the taking of delivery, it being a condition of this agreement that before taking delivery the BUYER shall have inspected the wheat flour and satisfied itself (himself/herself) as to the same.



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## Sample 4

These sample contracts are NOT to be used as a template for direct use. These samples are non-binding, are only provided for background information purposes, and are not endorsed by USAID.

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### **PURCHASE AND MONETIZATION SALE AGREEMENT FOR U.S. Food for Peace TITLE II COMMODITIES**

Agreement Between Private Voluntary Organization (PVO) and Buyer For Supply of Title II Commodities  
(Wheat Grain)

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**THIS AGREEMENT** made in the *(insert year)* **BETWEEN** *(Insert PVO name)*, a non-government organization located in the *(insert address)* (hereinafter referred to as “acronym”) of the one part, **AND** *(Insert buyer and address)* hereinafter referred to as the “Purchaser”) of the other part.

WHEREAS the Purchaser is desirous of purchasing Food for Peace Title II commodities (hereinafter referred to as the “Goods”). AND

WHEREAS PVO is a non-profit, non-government organization operating in *(insert country name)* under an Country Agreement;

WHEREAS USAID has approved the allocation of Food for Peace Title II commodities for monetization;

WHEREAS PVO and its partners are planning to undertake economic development projects in *(insert country)* to be designed and approved pursuant to the Title II Development Program to support the cost of those projects;

**NOW THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS: -**

#### ARTICLE I

#### DEFINITIONS

I.1 In this Contract, the following words shall be interpreted as follows: -

(a) “The Contract” means this Agreement entered into between the Purchaser and the Supplier and signed by both parties, including all Annexes thereto and documents incorporated by reference therein.

(b) “The Contract Price” means the total amount to be paid for all the Commodities, which PVO is required to supply under this Contract.

“The Goods” means commodities supplied under the US Government Food for Peace Title II program.

(d) “Days” shall mean business days (excluding any official non-work days in the country and official public holidays).

I.2 If any clause is determined to be unenforceable, the remaining unrelated clauses shall remain in full force

and effect.

## ARTICLE 2

### COUNTRY OF SUPPLY

2.1 All commodities supplied under the Agreement shall be only sold, utilized and/or distributed within the territories of (*insert country*) and under no circumstances be re-exported wholly or any part thereof outside the said jurisdiction.

## ARTICLE 3

### DESCRIPTION OF THE GOODS

1.1 PVO shall supply and deliver (*insert tonnage*) Metric Tons to the Purchaser the Goods described as **HARD RED WINTER WHEAT GRAIN** US Grade No.2 or better. The wheat specifications are found in the attached grade certificates. (PVO might not have grade certifications until shipment is loaded.)

## ARTICLE 4.

### **CONTRACT PRICE AND TERMS OF PAYMENT.**

1.1 In consideration of PVO supplying Goods to the Purchaser, the Purchaser shall pay PVO the contract price as provided for in clause 4.1(i) (herein referred to as the "Contract Price"), in (*insert local currency*), at a fixed exchange rate of (*insert rate*) local currency to one US Dollar.

- (i) That the said Contract Price shall be the sales price times the Total Tonnage for a Total of US (*insert total*)
- (ii) Sale price shall be (*insert price in US Dollars*) per Metric Ton and Total Tonnage shall be (*insert tonnage*) metric tons.

The payment will be in accordance with the following terms;

#### **(i) Advance Payment:**

The first payment shall be 10 percent of the contract price and will be payable on signing of this Agreement by Bank Check payable to (*insert bank account name*). Should receipt of this first payment not occur within one week of the signing of this contract, PVO shall consider this a breach of contract and reserves the right to revoke this contract.

#### **(ii) Balance of the payment:**

Payment of the Balance of the value of this contract will be payable in local currency as outlined in 4.1 below, and shall be made in five installments. These five deferred payments shall be supported by a Bank Guarantee comprising 90 percent of the balance due to be provided by either (*insert bank name*).

The Bank Guarantee shall remain in effect until final payment to PVO.

The Second payment of 10 percent is due when the first (*insert railcar or truck*) has arrived and cleared at (*insert location*)

The third payment of 20 percent shall be due thirty days time, from the date when the first shipment has arrived at (*insert location*).

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The fourth payment of 20 percent shall be due sixty days from the date when the first shipment has arrived at *(insert location)*.

The fifth payment of 20 percent shall be due ninety days from the date when the first shipment has arrived at *(insert location)*.

The sixth and final net payment of 20 percent shall be due 120 days from the date when the first shipment has arrived at *(insert location)*.

- (vii) At the time of the final payment any differences in total tonnage received versus total tonnage being sold in this Agreement (*insert quantity*), written in words and in numerals Metric Tons, as specified in 10.1) shall be adjusted to reflect actual tonnage received as delineated in 6.2. This shall form the basis of the final net payment.
- (viii) Dockage per the Federal Grain Inspection Service (FGIS) Grade Certificates of XXX percent respectively shall be deducted from the quantity delivered and payments shall be due for the balance.

## ARTICLE 5

### SHIPMENT AND DELIVERY

- 5.1 The wheat being sold under this Agreement by PVO will be Sold Delivered to *(insert location)*. (See 8.2). Wheat will be sold in 50KG bags and the total number of 50KG bags will be XXXX and written in words, yielding a total tonnage of XXXX and written in words metric tons as per Bill of Lading.

## ARTICLE 6

### INSPECTION AND TESTS

- 1.1 It is expressly agreed and understood that the Goods shall be subjected to pre-shipment inspection by FGIS of the US Government to confirm their conformity to the Contract specifications.
- 6.2 To ascertain any damages, or losses, PVO shall appoint an independent final discharge surveyor, acceptable to both parties. The value of any losses or damage, as established by the surveyor's report, shall be deducted from the purchaser's final payment. Furthermore, the purchaser agrees to accept the final quantity as stated by the Surveyor for purpose of determining final payment.
- 6.3 Both parties shall agree to utilize the services of an independent discharge surveyor to oversee off-loading of the commodity. This may entail performing a 10 percent or more random weight check per wagon or truck and 100 percent tally of bags off-loaded. The 10 percent or more random weight check per wagon or truck shall be used to determine the average bag weight and subsequently applied against the total number of bags to determine the total quantity per wagon or truck. The Purchaser may choose to station his own representative (at the Purchaser's discretion and cost) to oversee the operation. Additionally a Quality Test may be conducted to ascertain the Quality as stated in this Agreement in the presence of the Purchaser or his representative. Should a test be done locally it shall be conducted by the International Firm of SGS.
- 6.4 It is agreed that if fumigation is found necessary by PVO upon arrival at *(insert location)*, costs will be for the account of the PVO. Once the wheat is delivered and accepted by signing the respective delivery note, all responsibility for the wheat quality shall pass to and be for the account of the Purchaser.

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## ARTICLE 7

### PACKING

7.1 PVO shall provide such packing of the commodities as is required to prevent their damage or the deterioration during the transit as indicated in the Contract.

The wheat will be delivered in 50KG Bags in Standard weight.

## ARTICLE 8

### DELIVERY AND DOCUMENTS

8.1 The purchaser agrees that he has the capability to receive and store the commodities.

8.2 Delivery shall be deemed to have been made and all risk related to the commodities shall be considered transferred to the purchaser when evidence of delivery in *(insert location)* and all necessary documentation has been submitted to the purchaser. Upon acceptance of the commodities, the purchaser shall not raise any claims thereafter about the fitness or wholesomeness of the commodities.

8.3 PVO shall be responsible for the Clearing, Processing of Documents and Delivery of commodities to *(insert location)*. The Purchaser and/or its agents shall be responsible for prompt off loading and storage at their rail destination

8.4 The commodities supplied under the Agreement shall be self-insured by the US Government.

8.5 Delivery shall be done within *(insert number)* calendar days from the date of signing of this contract unless there are causes beyond the control of both parties.

## ARTICLE 9

### WARRANTIES

9.1 The supplier further warrants that the commodity shall have no defects beyond what is stated in Article 3.1 and the certificates attached.

## ARTICLE 10 CONSIGNEE

10.1 The supplier shall consign *(insert XXXX quantity written in words)* **Metric Tons** of Hard Red Winter Wheat Grade II in the names of *(insert buyer)* which shall take delivery of the consignment and be responsible for the Purchaser's obligations after delivery.

## ARTICLE 11

### AMENDMENT OF AGREEMENT

11.1 This Agreement may be amended by mutual consent of PVO and the Purchaser and such amendment shall be in writing and duly signed by the Purchaser and PVO and shall form an integral part of this Agreement.

## ARTICLE 12

### DURATION

12.1 This Agreement shall be valid from the date of signature and shall be binding on PVO and the Purchaser for a period ending thirty (30) days after final payment.

12.2 Either parties may, however terminate the agreement in the event of force majeure. Force majeure is interpreted as encompassing the cancellation of the commodity by the US Government due to non-



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availability, flood, earthquake, tornado, labor difficulties, acts or defaults of common carriers or acts of God, or acts of state, of the public enemy or any other circumstances beyond its control which shall prevent either delivery or receipt of commodities. Either party will notify the other in writing if any such failure to deliver or receive occurs.

## ARTICLE 13

### SETTLEMENT OF DISPUTES

- 13.1 Any dispute or difference arising out of this Agreement shall as far as possible be settled amicably by the parties hereto. In case it is not resolved the dispute will be referred to the Courts of (*insert country*) and the laws of (*insert state name*) shall be applicable.

## ARTICLE 14

### ASSIGNMENT

- 14.1 Neither PVO nor the Purchaser shall, without the written consent of each other, sell, transfer, or assign their rights and obligations under this Agreement.

## ARTICLE 15

### TAXES AND EXPENSES

- 15.1 All taxes, duties, insurance costs and dues imposed outside (*insert country*) in respect of this Agreement shall be borne by PVO. All taxes, duties and levies in (*insert country*) in respect of this Agreement shall be borne by the Purchaser, except taxes on imports which shall be waived as per agreement between PVO and (*insert host-country name*).
- 15.2 Any costs incurred by PVO including transport expenses, up to and those of putting the commodities on board the vessel at the specified port of loading and inland freight cost to (*insert location*) shall be arranged and paid for by PVO, and the cost there of shall be included in the Contract Price.

## ARTICLE 16

### AUTHORITY TO SIGN

- 16.1 PVO irrevocably declares that the signatories on page number (*insert page number*) of this Agreement are for and on its behalf and are valid and binding on it.
- 16.2 The Purchaser confirms that its signatory is duly authorized to enter into this Agreement for and on its behalf.

## ARTICLE 17

### NOTICES

- 17.1 All notices required to be given by either party pursuant to the provisions of the Agreement may be given by telefax, failing which they shall be by prepaid post or left at the registered office and shall be sufficient if addressed as follows:

(a) (*Insert PVO address*)

(b) (*Insert Purchaser address*)

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**ARTICLE 18**

**CONDITION OF EFFECTIVENESS**

18.1 This Agreement shall become effective on signature by the parties.

**IN WITNESS THEREOF** the parties hereto have signed this Agreement through their duly authorized representatives in location on the day and year first above mentioned.

\_\_\_\_\_

**Seller/PVO**

Food for Peace TITLE II PROGRAM

\_\_\_\_\_

**Purchaser**

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## Sample 5

These sample contracts are NOT to be used as a template for direct use. These samples are non-binding, are only provided for background information purposes, and are not endorsed by USAID.

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### Purchase and Sale Agreement for Food for Peace Title II Commodities (Wheat Grain)

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#### CONTRACT PARTIES:

##### SELLER:

*Private Voluntary Organization (PVO)*

*Address/Telephone/Fax:*

hereafter referred to as SELLER,

legally represented with adequate power of attorney by its Country Representative...

##### BUYER:

*PVO*

*Address/Telephone/Fax:*

hereafter referred to as BUYER,

legally represented with adequate power of attorney by its General Manager...

The Seller agrees to sell and the Buyer agrees to buy the commodities made available to the Seller by the US Government (USG) under the Food for Peace Title II program on the following terms and conditions:

#### **I) Commodity, Quality and Packaging**

Class: USA origin Hard Red Winter Wheat

Grade: No. 2 or better

Protein: 12 [percent min (on a 0 percent moisture basis)]

Moisture: max. 13.5 percent

Dockage: 1 percent or less

Test Weight: min. 76 kg/hl.

Falling No.(sec): min. 300

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Shipment in bulk.

## 2) Quantity

XXXX Metric Tons

Seller shall have the option of shipping 5 percent more or less than the specified quantity, at the contract price per metric ton (total payment due will be adjusted accordingly, either higher or lower).

## 3) Shipment Period

Shipment from port (*provide name*) estimated for MONTH/YEAR.

## 4) Vessel

The performing vessel/s are determined by the USG as a result of a freight tender procedure in accordance with Food for Peace Title II program regulations. The vessel/s may be U.S. flag, non U.S. flag bulk carriers, multi-deckers or tankers. Vessel must supply all equipment for discharge of bulk wheat by itself at port of XXXX, country name. Seller shall advise Buyer the particulars of the performing vessel/s once its approval from the USG has been received.

## 5) Notices

Seller shall notify the Buyer immediately after loading of vessel, the name of vessel and the estimated date for delivery in the discharge port so as to enable Buyer make the necessary arrangements to accept delivery.

## 6) Delivery Terms

The sale is Cost and Freight (CFR), Liner Terms, Customs Duty Paid, Port of XXXX, country name (discharge port). (*Insert country name*)'s customs and import duties are Seller's responsibility. All other import formalities and port charges are the Buyer's responsibility and Buyer must arrange at the port of discharge, at its own expense, sufficient transport and/or storage facilities to receive the cargo. The commodity will be separated from other commodities during shipment.

## 7) Purchase Price and Payment

The purchase price payable by the Buyer to the Seller shall be in the amount equivalent to U.S. Dollars PRICE per metric ton of commodity, payable in local currency equivalent at the Interbank dollar purchase rate (as quoted on [www.oanda.com](http://www.oanda.com) or some other mutual currency exchange rate provider as agreed between the buyer and seller) prevailing on the date of that the sales contract is signed by both parties.

Payment shall be executed in the following installments:

- a) First payment will be 50 percent of total invoice value (\$...USD) due on date of 45 days after Bill of Lading date.
- b) Second payment will be 50 percent of total invoice value (\$...USD) due on date of 90 days after Bill of Lading date.

Payment will be made by two drafts drawn on and accepted by Buyer and guaranteed by a bank acceptable to Seller, in a form acceptable to Seller, at XXXX, city and country of sale. Payment of the drafts will be guaranteed by BANK. Seller will receive no later than DATE copies of the guaranteed drafts and notification from the bank guaranteeing the release of the original secured drafts to the Seller upon presentation of the required documents listed below (section 9). These drafts will be dated DATE, and DATE. Notification must also state: The

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bank fully guarantees payment of original drafts of this transaction. In the event that the buyer does not have sufficient funds to cover payment of invoice, the bank is obligated and responsible to execute payment of any and all drafts.

Dates of drafts will be adjusted as necessary to meet terms of payment (section 7 part a, upon receipt of copy of Bill of Lading. Any changes in quantity (final at port of loading as per Official Grain Weight Certificate) from the quantity of XXXX MT, as stated in section 2, will be adjusted in the draft value of the second payment (section 7 part b).

### **8) Inspection at Port of Loading**

Weight, quality, condition and inspections are all final at port of loading as per Official Export Grain Inspection Certificates and Official Grain Weighing Certificate, issued by US Commodity Credit Corporation (CCC) of the USG, and as indicated in the Bill of Lading, except for ocean voyage damage as noted in Section 11 below.

### **9) Documents**

Seller will furnish to BUYER against receipt of original secured drafts:

- (1) Original and three copies of commercial invoice for 100% of the C&F value
- (2) Full set of on board ocean Bills of Lading marked "freight prepaid" or words to similar effect
- (3) Original Official Export Grain Inspection Certificate.
- (4) Original Official Grain Weight Certificate
- (5) Original Phyto-sanitary Certificate
- (6) Certificate of Origin

### **10) Survey at Port of Discharge**

The Seller shall appoint a surveyor at discharge to inspect the condition of the cargo. This survey report will include a narrative description of the types and kind of Commodities involved, quantities landed, short-landed, fit and unfit, the circumstances leading to the condition and surveyor's assessment of liability. The Buyer shall confirm to the Seller that such a surveyor is in attendance at discharge. The Buyer shall assist the surveyor as customary during the discharge of Commodity. The survey report will be submitted by the surveyor to the Seller with copies to Buyer.

### **11) Ocean Losses/Damage**

The USG's CCC retains all rights and interests in and to claims against the ocean carrier in case of cargo damage. CCC remains responsible for settling General Average and marine salvage claims. Accordingly, any cargo damage identified by the discharge survey report will be turned over to the CCC for further action. Based on survey report, discrepancies between bill of lading quantity and discharge quantity will be noted and any damaged commodity will be separated and weighed at port of discharge in the presence of surveyor. In such cases, Seller agrees to give Buyer a proportional reduction or refund in the purchase price corresponding to the quantity of damaged commodity. Such a price adjustment shall be Buyer's sole remedy under this contract for any such losses. Any insurance to provide additional protection against such losses is at the Buyer's discretion and expense.

### **12) Force Majeure**

The non-performance of either party to this contract shall be excused if such failure to perform, including delay

in delivery, is attributable to any cause or reason beyond the parties control, including, without limitation, perils of the sea or other waters, collisions, wrecks, stranding, jettison, fire from any cause, strikes, acts or omissions of the USG, civil disturbances, floods, Acts of God, or any other cause beyond the party's control.

**I3) Governing Law and Dispute Resolution**

- a) This contract is subject to all applicable U.S. laws and regulations governing Title II commodities, and to the extent not in conflict with the foregoing, will be governed by the substantive law of *(provide location if necessary)*.
- b) Seller and buyer shall make every effort to resolve amicably by direct negotiation any disagreement or dispute which may arise between them in connection with this contract. If not resolved by negotiation, and unless the parties agree otherwise, the dispute shall be settled by binding arbitration under the rules and auspices of the American Arbitration Association. The arbitration shall be conducted in the *(provide location if necessary)* and in the English language. Any award resulting from such arbitration may be enforced in any court of competent jurisdiction

**I4) Destination Control**

The Buyer may not re-export the raw (unprocessed) Commodity purchased under this Agreement from *(insert name of country)*.

**I5) Miscellaneous**

- a) Buyer agrees that military forces shall not handle or allocate any of the commodities provided under this contract.
- b) This contract supersedes any and all other agreements, oral or written, between Buyer and Seller with respect to the subject matter hereof, and no agreement, statement, or promise relating to the subject matter of this contract other than that which is contained herein shall be binding upon the parties. This contract may not be amended except by written agreement of the parties.
- c) Buyer expressly confirms and warrants that it has the ability to take delivery, properly store and successfully market the purchased commodities in *(country where sale is undertaken)*.

The present contract has been signed in three (3) original copies, one (1) for Buyer and two (2) for Seller.

In witness whereof the parties hereto have caused this agreement to be executed at the day and year first below written:

\_\_\_\_\_, in capacity as Country Representative on (day, month, year.)

(For and on behalf of the Seller)

\_\_\_\_\_, in capacity as General Director on (day, month , year.)

(For and on behalf of the Buyer)

## Appendix 3:

# Sample Payment Guarantees

Each monetization sale is unique. These samples may serve as a reference for PVOs in planning monetization sales; however, PVO staff (including, for example, monetization managers, senior management, and lawyers) are responsible for ensuring that final negotiated contracts best represent current conditions and requirements. These contracts are between PVOs and their buyers; USAID is not a party to any of the contracts.

### Sample Format

This sample letter of credit is NOT to be used as a template for direct use. These samples are non-binding, are only provided for background information purposes, and are not endorsed by USAID.

### LETTERS OF CREDIT - SAMPLE FORMAT

FROM: (NAME & ADDRESS OF OPENING BANK)

TO: (NAME & ADDRESS OF NEGOTIATING BANK)

FORM OF DOCUMENTARY CREDIT:

SENDER'S REFERENCE:

DOCUMENTARY CREDIT NUMBER:

DATE OF ISSUE:

APPLICABLE RULES:

DATE & PLACE OF EXPIRY:

NAME & ADDRESS OF THE APPLICANT (BUYER):

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NAME & ADDRESS OF THE BENEFICIARY (SELLER):

AMOUNT OF CREDIT IN : US DOLLARS/EURO/ANY OTHER  
CURRENCY

PERCENTAGE CREDIT AMOUNT TOLERANCE:

CREDIT AVAILABLE WITH:

CREDIT AVAILABLE BY:

DRAFTS AT:

DRAFTS TO BE DRAWN ON:

PARTIAL SHIPMENT: (ALLOWED/NOT ALLOWED)

TRANSHIPMENT: (ALLOWED/NOT ALLOWED)

SHIPMENT FROM (PORT OF LOADING):

SHIPMENT TO (PORT OF DISCHARGE):

LATEST SHIPMENT DATE:

DESCRIPTION OF GOODS:

ADDITIONAL CONDITIONS:

DETAILS OF CHARGES:

PERIOD FOR PRESENTATION:

CONFIRMATION INSTRUCTIONS:

REIMBURSEMENT INSTRUCTIONS:



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## Sample Letter of Credit

This letter of credit is NOT to be used as a template for direct use. These samples are non-binding, are only provided for background information purposes, and are not endorsed by USAID.

### SAMPLE DOCUMENTARY LETTER OF CREDIT

RECEIVED FROM: BTTT76XXX BANK NAME

TO: REGEBATTTOR TORONTO REGENCY BANK, TORONTO, CANADA

ISSUE OF A DOCUMENTARY CREDIT

40A: FORM OF DOCUMENTARY CREDIT: IRREVOCABLE

20A: DOCUMENTARY CREDIT NUMBER: 001/58476

31C: DATE OF ISSUE: 11/01/15

31D: DATE AND PLACE OF EXPIRY: 11/03/30, CANADA

50: APPLICANT: LUCKY IMPORT LIMITED

58 NEW STREET

TAIPEI, TAIWAN

59: BENEFICIARY: GRAIN TRADING INC

21 SAIL ST

TORONTO, CANADA

32B: AMOUNT: USD 500000.00

40E: APPLICABLE RULES: UCP LATEST VERSION

41D: AVAILABLE WITH... BY: YOURSELVES

42C: DRAFTS AT: SIGHT

42D: DRAWEE: YOURSELVES

43P: PARTIAL SHIPMENTS: NOT ALLOWED

43T: TRANSHIPMENT: NOT ALLOWED

44A: SHIPMENT FROM: HALIFAX, CANADA

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44B: SHIPMENT TO: TAIPEI, TAIWAN

44C: LATEST DATE OF SHIPMENT: 11/03/15

45A: DESCRIPTION OF GOODS AND/OR SERVICES:

2500 METRIC TONS CANADIAN GRADE A WHOLE  
POTATOS PACKED IN 50 KG BAGS @ USD 200 PER  
METRIC TON CFR TAIPEI, TAIWAN

46A: DOCUMENTS REQUIRED

1/ FULL SET OF CLEAN ON BOARD MARINE BILLS OF LADING  
MADE OUT TO THE ORDER OF UNIVERSAL BANK, TAIWAN  
MARKED FREIGHT PREPAID AND NOTIFY APPLICANT

2/ COMMERCIAL INVOICE IN ORIGINAL AND TWO COPIES

3/ PHYTOSANITARY CERTIFICATE

4/ CERTIFICATE OF ORIGIN

5/ PACKAGING LIST

47A: ADDITIONAL CONDITIONS

PRESENTATION OF COPIES OF DOCUMENTS ACCEPTABLE

71B: CHARGES: BANKING CHARGES OUTSIDE OF TAIWAN  
ARE FOR BENEFICIARY'S ACCOUNT

48: PERIOD FOR PRESENTATION: DOCUMENTS MUST BE  
PRESENTED NO LATER THAN 15 DAYS AFTER DATE OF  
SHIPPING DOCUMENTS FOR NEGOTIATION BUT WITHIN  
THE CREDIT VALIDITY

49: CONFIRMATION INSTRUCTIONS: WITH

53A: REIMBURSEMENT BANK: REGEBATTTOR

# Appendix 4:

## Recommended Reading

ACDI/VOCA, 2003. Monetization Best Practices Manual-First Edition.

Annual FFP Title II Non-Emergency Program updates, and relevant FFPIB updates.

Barrett and Lentz, 2009. US Monetization Policy: Recommendations for Improvement, Global Agricultural Development Initiative, Policy Development Study Series.

Barrett, Christopher B. and Daniel G. Maxwell, 2005. Food Aid After Fifty Years: Recasting its Role. London: Routledge.

CARE, 2006. White Paper on Food Aid Policy.

Donovan, C., Zavale, H., and Tschirley, D., 2010. The Evaluation of the Impacts of Title II Monetization Programs for Wheat and Crude Edible Oils in Mozambique, 1997-2007. Michigan State University: Department of Agricultural, Food and Resource Economics, International Development Working Paper # 103.

FEWS NET, 2008. Market Guidance #2, May 2008. Structure-Conduct-Performance and Food Security. Washington, DC.

FEWS NET, 2008. Markets Guidance # 1, May 2008. Import/Export Parity Price Analysis. Washington, DC.

MacKay, C., and Shaw, R., 2006. An Analysis of P.L.-480 Title II Monetization Data (2001-5): Impacts on Domestic Production, Local

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Marketing, and Global Trade. Save the Children and World Vision.

Murphy, E., August 2007. "Monetization and Development: A Case Study of Title II Sales in Uganda (1989-2006)." ACDI/VOCA.

Orzechowski, F. and Rinck, D., 2004. Regionalization: A Monetization Concept Paper. Catholic Relief Services.

Simmons, E., 2009. Monetization of Food Aid: Reconsidering US Policy and Practice. Partnership to Cut Hunger in Africa. Washington, DC.

Tadesse, Getaw and Gerald Shively. 2009. "Food Aid, Food Prices and Producer Disincentives in Ethiopia." American Journal of Agricultural Economics 91 (4): 942-955.

Tschirley, D. and Howard, J., 2003. Title II Food Aid and Agricultural Development in Sub-Saharan Africa: Towards a Principled Argument for When, and When Not, to Monetize. Michigan State University: International Development Working Paper #81.