FOOD FOR PROGRESS MONETIZATION HANDBOOK

International Food Assistance Division (IFAD)
Global Programs
United States Department of Agriculture
Foreign Agriculture Service

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Key Terms

Bellmon Amendment – Adopted as Section 212 of the International Development and Food Assistance Act of 1977 and codified at 7. U.S.C. 1773(a), it applies to commodities under the Food for Peace Act. The authorizing legislation for McGovern-Dole and Food for Progress incorporates the programs by reference to the amendment. The amendment says that agencies must determine before supplying in-kind food aid to a country, that adequate storage facilities are available in that country and that the distribution of the proposed commodities will not result in a substantial disincentive to, or interference with, domestic production or marketing to recipient countries.

Call Forward – The process of issuing purchase tenders for commodity and freight through USDA AMS's International Bulk Commodity Procurement Division.

Chicago Mercantile Exchange – The Chicago Mercantile Exchange (CME) is one of the world's largest financial exchanges. The CME trades futures and many options products in agriculture, energy, stocks, foreign exchange, interest rates, metals, real estate, and weather.

Commodity Management Section –The commodity management section (CMS) is the part of the Food for Progress project proposal that discusses an applicant's monetization plans, potential scenarios, and forecasted results for funding the project's operating budget.

Cost recovery – Defined as a percentage. This looks at the value of proceeds generated from a monetization sale divided by the sum of the cost of procuring the commodity and ocean freight.

Cost and Freight (CFR) – An international commercial term for designating the term of a sale, defined as the cost of the good plus the freight to the named port of destination.

Cost, Insurance, and Freight (CIF) – An international commercial term for designating the term of a sale defined as the cost of the good plus insurance to cover shipping plus the freight to the named port of destination.

Import Price Parity – This is the price an importer of goods is expected to pay. It concludes the cost of the good, insurance, and freight, also known as the CIF price, plus any relevant taxes or import tariffs.

Incoterms – The international commercial terms are a set of eleven definitions created by International Chamber Commerce that define the terms of sale between buyers and sellers.

Invitation to Bid – The notice that is published publicly for conducting a monetization sale or purchasing commodity and freight. The notice contains the detailed description regarding the commodity or commodities and shipping terms as well as relevant dates and contracting parties.

Market Analysis for Monetization – The Market Analysis for Monetization (MAM) is USDA's internal assessment for looking at the potential impact of a proposed monetization plan on domestic production of the particular target commodity or commodities, as well as substitutes, and U.S. commercial trade. It forms a key component of the Bellmon Determination Letter.

Information from the commodity management sections and subsequent monetization plans form the basis for the analysis.

Monetization – The conversion of an asset into money. In the case of food assistance and Food for Progress this is the sale of the awarded commodity or commodities to generate program proceeds.

Payment Guarantees – A means by which the buyer provides some sort of guarantee to the seller for the monetized commodity or commodities. This may include letters of credit, bank guarantees, performance bounds, and down payments or some combination.

Program Participants – These are eligible entities that have received program awards through Food for Progress's Notice of Fund Opportunity process.

Sales Platform – The method of conducting the monetization sale. This includes a public tender or direct negotiations, depending on specific circumstances.

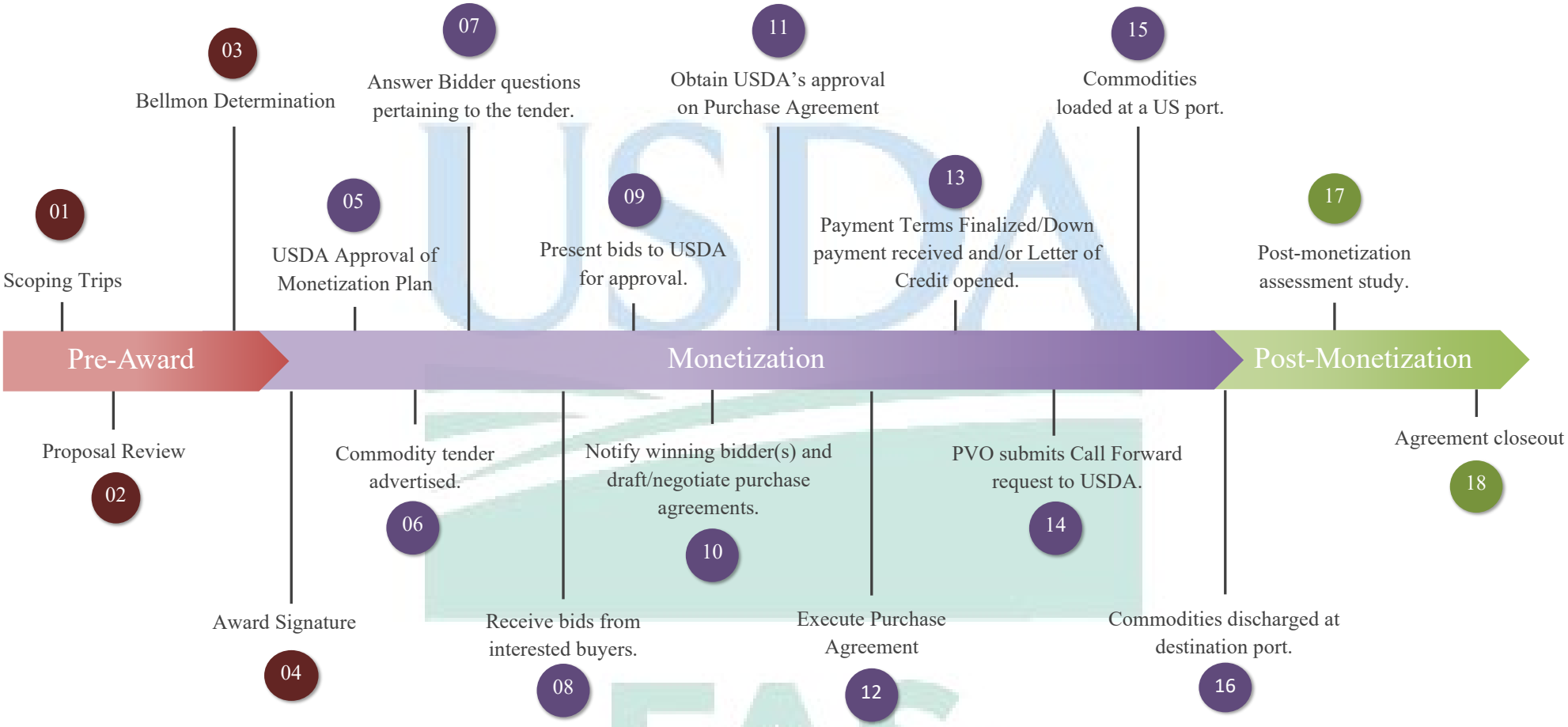
USAID BEST – The U.S. Agency for International Development (USAID) hired the consultancy Fintrac to undertake the Bellmon Estimation for Title II project to produce a series of reports for selected countries targeted for food assistance. BEST reports include information on market and production systems, storage capabilities, and policy issues affecting the country.

INTRODUCTION

The purpose of this handbook is to provide current and prospective Food for Progress Program Participants (PPs) with an explanation of monetization as a funding mechanism. The goal here is to provide examples of best practices with respect to planning, conducting, and then assessing the impact of a monetization sale. This Monetization Handbook is an effort, in part, to provide a current update to the previously issued USAID Monetization Field Manual (MFM). Links to the USAID MFM, as well as to other relevant historical information on monetization practices are included in Appendix 3 of this handbook. This handbook contains three graphics designed facilitate an understanding of monetization practices and how they mesh with Food for Progress's grants making cycle and overall project management.

There are six additional appendices filled with relevant information resources, examples, and/or links to such sources designed to help PPs prepare well-constructed monetization plans. They consist of commodity standards and trading terms to help inform the sales agreement process; the approved list of bulk commodities for use in monetization; commodity pricing data sources; an example of an invitation to bid (IFB); a sample sales contract; and contact information for monetization agents and freight forwarders, should a prospective PP wish to hire a third-party consultant to assist with its monetization efforts. This handbook will be treated as a living document and updated routinely to account for any program developments, legislative changes, or other pertinent information.

Figure 1) Monetization Step-by-Step Overview



SECTION A – PRE-MONETIZATION

PLANNING A MONETIZATION PROPOSAL

BACKGROUND

Monetization is an activity in which donated commodities are sold in a commercial fashion in local markets to generate cash resources for program implementation. Monetization is used by project implementers, including foreign governments in the case of government-to-government agreements, to ensure that Food for Progress activities can be funded and completed.

The "Do No Harm" Principle

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. For the purposes of this policy, "fair market price" and "fair market value" should be considered synonymous.
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 sale is calibrated to local seasonal calendars and market conditions 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," PPs are expected to monitor markets on an ongoing basis to gauge whether the monetization continues to "do no harm" as well as document successful outcomes related to the monetization activity. USDA expects PPs to regularly monitor markets as part of their standard practices to understand their operating environment and to immediately alert USDA of any market developments related to monetized commodities or planned monetizations.

COST RECOVERY AND PROGRAM EFFICIENCY

PPs should strive to sell commodities at a price equivalent to the full cost of the purchase and transport of the commodities for use in monetization. USDA recognizes PPs have a vested interest in maximizing the sales price because, by so doing, PPs maximize funds available to meet their project objectives. USDA has not established a minimum required cost recovery; however, cost recovery is a high-profile measurement of program efficiency. If the cost recovery is estimated to be (i) less than 70%, with 50% of the ocean freight moving via U.S. flag vessels, or (ii) less than 90% of the FOB cost of the commodity, the PP should consider an alternative commodity.

PPs should strive to consider all contingencies, such as the use of alternative commodities, sales platforms including regional sales strategies, and/or financing methods. Introduction of alternative and/or new ideas can lead to enhanced program efficiencies. Inclusion of these alternatives in the market analysis/study may result in greater flexibility (and efficiency) in the final Agreement between the PP and USDA and fewer Amendments to Agreements. As part of planning the commodity management section (CMS) for the monetization portion of the proposal, a PP may wish to consider a scoping trip to gather necessary data. Alternatively, they may hire a consultant or obtain similar details from in-country advisors. Scoping trips can also be taken following an award to update and revise a submitted monetization plan.

SCOPING TRIP

A key component during the pre-monetization phase is conducting a scoping mission to develop a critical understanding of a particular market and its suitability for monetization. In most cases, the scoping mission will involve the market or country where the PP plans to implement its project activities. In some cases, a market may be too small for the projected size of a monetization sale and thus, a regional approach or a third-country option may be required to conduct a successful monetization. In either instance, a scoping mission will help lay the foundation for a well-constructed monetization plan. For those markets where monetization has been executed previously, the emphasis will likely be on reviewing previous efforts and updating market information.

When undertaking a scoping mission, there are some key facts and talking points regarding Food for Progress and the purpose of monetization to remember. They include the following:

1. Commodity sales proceeds are used to finance agricultural development projects in the country of operation to increase production and export of agricultural products.
2. USDA Food for Progress Program – as of 2023, there are 45 active projects in 39 countries with investments valued at $1.1 billion in various agricultural value chains.
3. Commodities are purchased by USDA in accordance with buyer's commodity specification needs. Commodities are purchased on the spot market from approved U.S. agricultural producers/suppliers. All commodities follow U.S. grades and standards and are inspected according to established protocols and regulations.
4. Commodities sold at 100% Cost and Freight (CFR) prices, with the port of delivery finalized per USDA regulations by PPs and their representatives.
5. Manageable payments terms, including use of letters of credit or other secure forms of payment. Payment guarantees, including down payments, are required at time of sales agreement signing, however payment terms, schedule, and the form of security are negotiable.

The following topics include key information items and data points to document as part of a scoping mission to the target market/country/region.

Commodity Specific Inquiries

- Estimated gross imports.
- Estimated gross local production/harvest.
- Estimated timeline of imports/purchases (seasonal considerations).
- Intended use of commodity (human, feed).
- Where is the demand coming from? Is the demand increasing/decreasing?
  If feed, what is the feed composition in country/per product?

Buyer Specific Inquiries

- Estimated number of importer(s).
- Estimated monthly, quarterly, and yearly demand (total and per buyer).
- Seasonal demand -- What are the periods of increased demand (total and per buyer)?
- Estimated timeline of imports/purchases (per buyer).
- Purchasing practices: individual mills purchase alone, or group purchasing.
- Buyers' commodity specification requirements.
- Buyers' storage/transportation capabilities, delivery needs.
- Current source of imports-suppliers and commodity specifications.
- Current financial practices/payment terms with suppliers/ transactional costs/bank guarantees/banking stability in the country where monetization occurs.
- Importing requirements for local buyers per commodity (quotas, permits, licenses, specific government agency approvals).
- Current duties/taxes on commodities and/or financial transactions, including foreign exchange restrictions/limitations.

Port Specific Inquiries

- Freight pricing trends for both U.S. and foreign flagged vessels to the ports of the target country/market/region for monetization.
- Port infrastructure, berths (depth), offloading equipment's, storage/silo capacity (in MT).
- If applicable, who owns grain elevators.
- Buyers' added costs of using one port vs. another port.
- Buyers' current receiving practices/delivery needs and discharging rates.
- Any seasonal considerations/constraints of port usage.
- Multiple ports should be considered particularly if congestion or clearance delays are a factor.

DEVELOPING A MONETIZATION PLAN

MARKET ANALYSIS OVERVIEW

In preparing a proposal to submit to IFAD, the PP should consider the following and conduct the initial steps of a market analysis to ensure monetization is feasible –

- Is there a potential market for monetizing available donated agricultural commodities?
- Is there current or past monetization activity in-country, either through USDA or USAID 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? Target thresholds should be **5 to 8** percent of imports and annual domestic consumption.
- Can the market absorb this potential volume?
- Can the monetized food aid be sold at a fair market price?
- Does the market have adequate structure at the port and internally to receive, store, handle, manage, and distribute monetized commodities?
- Does the expected sales price provide a reasonable cost recovery?
- Is it possible to support local market development through monetization?
- What special considerations should PPs consider when planning for monetization?

Figure 2) Factors to Consider for a Monetization Plan

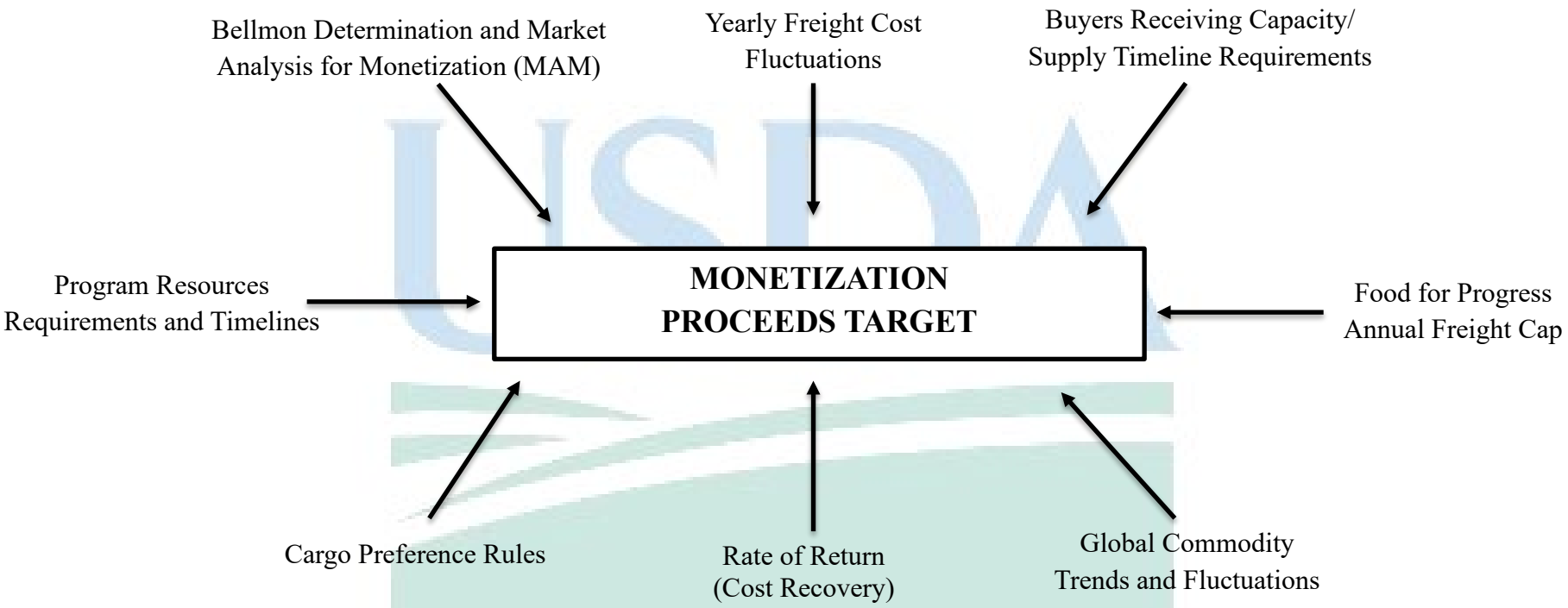
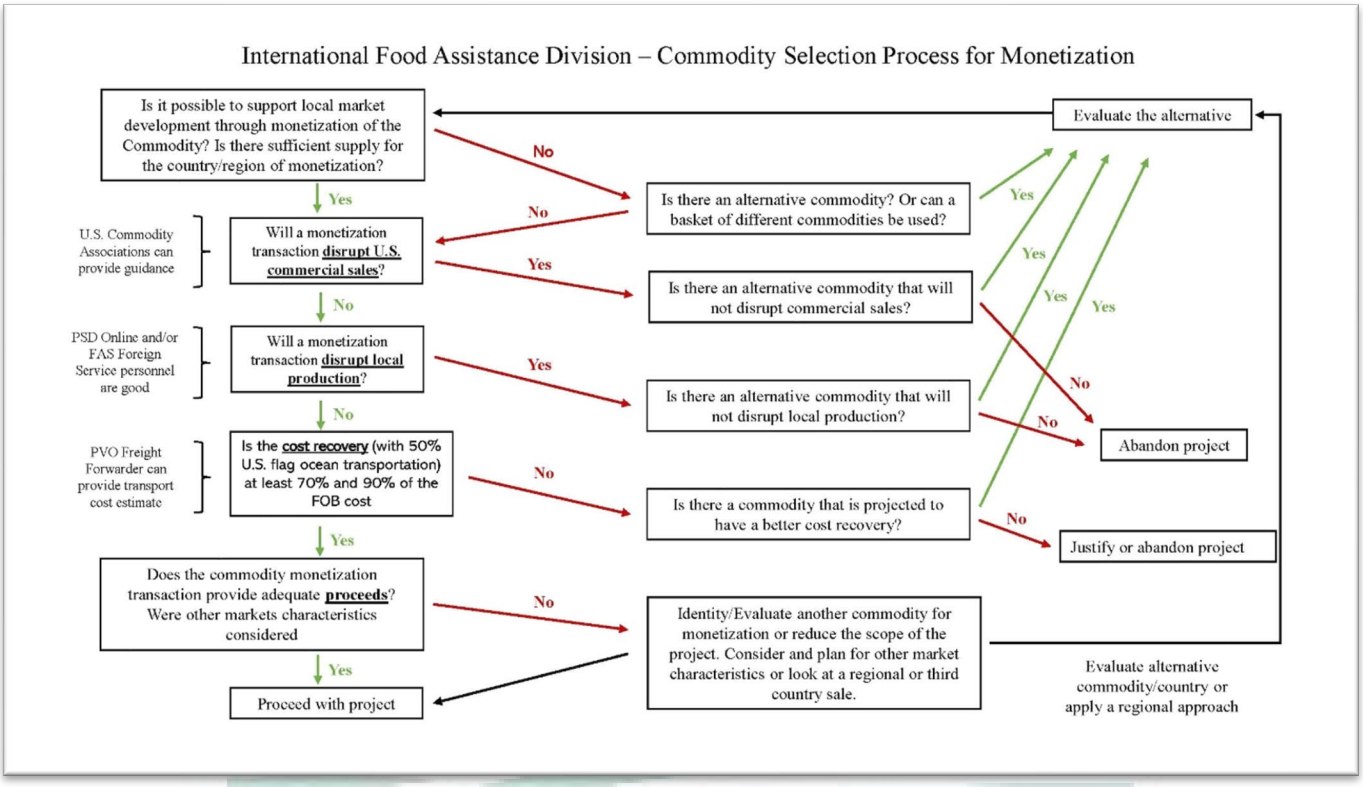


Figure 3) Flow Chart Summarizing the Commodity Selection Process



MARKET ANALYSIS STEPS

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

Step 1. Identify the Market Opportunity for the Proposed Commodity or Commodities

An opportunity for monetization exists when sufficient local market demand exists for at least one commodity. Sufficient demand will ensure that monetizing a relatively small portion of the volume normally traded in that market will provide adequate funding proceeds to justify the PPs' investment in the monetization process. PPs should consider all commercial commodity markets and note those which have held monetized sales in the past. Next, PPs should review annual import, export, production, and distribution levels to determine which markets (if any) possess an opportunity for monetization. Sources for initial estimations of market size include FAO, USDA, United Nations Comtrade Database, the World Food Program (WFP), Trade Data Monitor, IHS Market Global Trade Atlas, local government ministries, and previous USAID-BEST/Bellmon analyses. If the PP has limited experience with market analysis and monetization in the targeted country, consideration should be given to hiring an experienced consultant to assist with market

evaluation, selection of commodity and volume, estimation of cost recovery, and executing the sale process.

Step 2. Estimate Appropriate Volume

Once a commodity or commodities have been identified as a likely candidate for monetization, PPs can determine an appropriate volume to potentially monetize. As a rule, monetized volumes of a commodity should range from 5 to 8 percent of the country's five-year average annual consumption or imports. Production, supply, and distribution information on commodities, by country, can be researched using USDA Foreign Agricultural Service's (FAS) "PSD On-Line" application found at http://www.fas.usda.gov/psdonline/psdQuery.aspx.

Policy changes that affect trade, such as import bans or restrictive certification requirements, should be considered when estimating commercial import volumes. PPs must also consider recent or planned monetization transactions by other PPs, or government-to-government monetization transactions in the same market. The volume and timing of the program should adjust to ensure total monetization volumes do not exceed 10 percent of domestic consumption or imports, and that monetization sales are timed appropriately to support funding goals while not disrupting any U.S. commercial trade.

Step 3. Estimate Fair Market Price

PPs should estimate the fair market price they expect to receive for monetizing the selected commodity on the open market. Global and available local commodity prices should be the reference prices for both potential buyers and sellers. Price estimations may be obtained by searching databases listed in Appendix 1 and by contacting freight forwarders and transporters, international grain traders, local importers, and traders. Direct in-country market analysis and import parity price (IPP) are considered the best estimates of a fair market price for a monetization. The import parity price being defined as the average landed cost plus any duties and internal transport that importers or buyers in the country generally pay for a particular commodity. Both estimates should be utilized, if possible, but in every case, the IPP should be calculated.

- Direct in-country market analysis is completed by collecting information from a variety of sources, such as the port of entry, customs offices, wholesale markets, and market participants. If reliable local price information is available such data can be used to establish the fair market value, after adjusting for quality variations, as necessary. Quality adjustment can be made by looking at average price premiums and discounts on the world market between the evaluated qualities, focusing on prices in key exporting countries.
- An alternative to IPP is the average cost, insurance, and freight or CIF price that buyers or importers in the target market are paying. In some cases, a reference price may need to be

calculated using export FOB prices plus an average amount for ocean freight to the destination market.

PPs should consider other characteristics that may impact price, such as normal supply chain practices of potential buyers, transport, storage and handling costs, administrative fees, and commodity price trends and market volatility.

Step 4. Estimate Proceeds

Once PPs have estimated an appropriate monetization volume (based on estimated marketed supply volumes) and estimated a fair market price for the selected commodity, 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, PPs should then examine the competitive environment of the commodity market and other possible factors which might affect the potential sale, particularly the sales price. The number and type of potential buyers may impact the sale price of the commodity and should be a consideration when determining the "sales platform" (see Making a Monetization Sale – Section B).

Step 5. Consider Competitive Environment

PPs should consider the general competitiveness of the selected commodity market(s). This assessment will (1) inform the likelihood of achieving a fair market price, (2) inform the choice of sales method, such as small lot sales versus large lot sales, and open tender versus negotiated sale, and (3) provide insight into the efficiency of the monetization based on the estimated cost recovery.

A market may be deemed uncompetitive when prices reflect market power (i.e. lower than expected prices) rather than competitive market conditions. Uncompetitive markets are generally dominated by a small group of large importers, processors, or traders (or a single importer, processor, or trader). In such a scenario, a monetized sale is less likely to achieve a fair market price due to monopsony or oligopsony buying power. Adequate competition among potential buyers will help ensure PPs receive a fair market price, which will maximize expected returns from the monetization sale and thus maximize funds available for programming.

PPs 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 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, PPs should look to alternative commodities that can be monetized. The availability of a fallback position will increase a PP's 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 PPs have demonstrated expertise in monetization sales, PPs may engage in discussions with large importers in monopolistic 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 determining 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 Mercantile Exchange** or other commodity exchange futures prices.

Step 6. Further Considerations

Once PPs have determined which commodity is likely appropriate to monetize in terms of volume, price, proceeds, and market competitiveness the following should be considered:

- Would national government policies and/or sensitivities interfere with the monetization of the selected commodity, such as exchange controls or currency restrictions?
    - Is the local government working 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?
- What market characteristics (seasonality, storage capacity throughout the year, transport conditions, seasonal weather events) could interfere with the monetization of the selected commodity?
- Are there any substitute commodities for the selected commodity? If so, how would the monetization of the selected commodity impact production/marketing of substitute commodities?
- Do prices fluctuate during certain times of the year? Have prices remained constant over the past one to two years or more? Can the PPs take advantage of differences in seasonal prices on local and global markets to achieve the highest cost recovery and thereby increase resource use efficiency?
- PPs 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. PPs must understand if volumes traded vary throughout the year and, if so, how, and why they vary. PPs 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 times 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? Restrictions 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 the selected commodity from another Low-Income Food Deficit Country (LIFDC)? Monetization of a commodity typically imported from another LIFDC would be considered undesirable.
- Are there any current or planned local and regional procurement (LRP) efforts in the country?
- How expensive will it be for the buyer to transport monetized goods from the discharge port to the buyer's facility and how much will this impact anticipated sales price?

USDA
FAS

SUBMITTING A MONETIZATION PROPOSAL TO IFAD

While not specifically required, PPs may wish to consider including information on the following in the CMS portion of their proposal.

- Has the PP hired a freight forwarder, marine surveyor, or other ocean transportation specialist to provide an evaluation of the port and storage facilities to ensure adequacy for the handling of the donated commodity?
- Has the PP hired an experienced freight forwarder or cargo expediter to evaluate and discuss potential contracting options with storage facilities and inland transportation vendors, in the limited instances these are required?
- Has the PP hired an experienced consultant to assist with market evaluation and to conduct the commodity sale(s)?
- What Sales Platform does the PP deem most appropriate for the monetization sale and why? (i.e. open tender, tender with the right to negotiate, direct negotiations)
- Will a fair market price be achievable and what level of cost recovery will this provide?
- Does an opportunity exist for a single monetization transaction with cooperation between multiple PPs? If so, would this reduce ocean freight costs and/or increase proceeds?

PPs should be aware, the information that provide as part of the CMS section of their application to Food for Progress's annual Notice of Funding Opportunity may be utilized to satisfy at least some of the requirements of the Bellmon Amendment. The Bellmon requirements are as follows:

- Adequate storage facilities will be available in the recipient country at the time of the arrival of the commodities to prevent the spoilage or waste of the commodity; and
- The distribution of the commodity in the recipient country will not result in a substantial disincentive or interference with the domestic production or marketing in that country; and will not have a disruptive impact on the farmers or the local economy of the recipient country.

The sub-sections of the CMS should also contain information on discharge port facilities and other details as stipulated in FFPr's application instructions.

BELLMON DETERMINATION

A Bellmon Determination is required for all food assistance agreements. The Bellmon Determination, named after Senator Henry Bellmon of Oklahoma, is based on Public Law 480, Section 403(a), which reads:

Prohibition – No agricultural commodity shall be made available under this Act unless it is determined that:

(1) adequate storage facilities will be available in the recipient country at the time of the arrival of the commodity to prevent the spoilage or waste of the commodity; and

(2) the distribution of the commodity in the recipient country will not result in a substantial disincentive to or interfere with domestic production or marketing in that country.

Policies and Procedures:

1. A Bellmon Determination is required for all Food for Progress agreements and must be completed before an agreement or an amendment that resulted from a change in commodity or monetization market is signed. The Bellmon Determination is conducted for the country or region where the commodities will be monetized. In the case of a third-country monetization, a Bellmon analysis must be carried out for the specific country/region where commodities are to be monetized. A Bellmon amendment is required if the commodity and/or country/region are later switched due to obstacles in the original monetization plan.

2. The IFAD Commodity Program Specialist overseeing monetization is responsible for working with the Program Analysts in the Food for Progress on preparing the Bellmon. Information from the CMS section of the PP's proposal is used to inform this process.

3. Information useful in support of a Bellmon Determination can be obtained from the following sources:

   A. Port Facilities and Adequate Storage Facilities
      i. Sections seven and nine of the food assistance agreements contain information on the transportation of the commodity, storage facilities in the country, and any transportation issues regarding the logistics plan.
      ii. Details about country ports can be obtained from "World Port Source," which is available via the Internet at www.worldportsource.com. Other sources of info include websites for the specific ports and websites for shipping companies.

   B. Substantial Disincentives/Market Analysis
      i. Potential disincentives to be considered and addressed include:
         a. Depressed prices of locally produced commodities - If a country has a comparative advantage or tradition in the production of the same or closely substitutable commodity as that supplied as food assistance, the potential for disincentive effects on the locally produced commodity can be significant. Monetized commodities should have a neutral or positive effect on agricultural production and farmer welfare.

b. Reduction in the priority given to improving agricultural productivity - A government receiving substantial food aid may give lower development and investment priority to its agricultural sector if imported food assistance is readily available at relatively low cost.
c. Impacting consumer habits that create a permanent dependency on food imports - Local food production may be adversely affected by food assistance that contributes to changes in taste preferences for foods which cannot be produced domestically.

ii. The market analysis considerations of monetization sales include:

a. The market is either a net importer and/or domestic production is insufficient to meet consumption needs for the proposed monetized commodity.
b. Monetized food assistance is sold at a fair market price - direct in-country market analysis and import parity price (IPP) are considered the best estimates of a fair market price for a monetization.
c. The volume of food assistance monetized will not unduly disrupt the volume of commercial imports and overall domestic consumption, as is thus small enough to not distort market prices.
d. The timing of the monetization sale is calibrated to local seasonal calendars and market conditions to avoid substantially depressing producer prices or discouraging traders from engaging in long-term storage.

COST RECOVERY GUIDELINES

BACKGROUND

PPs should strive to achieve a cost recovery equivalent to the full cost of the purchase and transport of the commodities for use in monetization. In other words, full cost recovery would mean the total dollars received from the monetized sale equal the total dollars spent to procure and transport the commodity to the destination country. The 2018 Farm Bill set a minimum cost recovery target for Food for Progress at 70 percent. The 70 percent benchmark is not mandatory. However, prudent use of commodity and freight dollars often coincides with PPs successfully meeting their project budget goals.

CALCULATION

To properly calculate cost recovery, PPs will need to know the full cost of the commodity and ocean freight to the USG. An estimated cost recovery rate is calculated by using the commodity cost quotation provided by USDA (FAS) at the time of the call forward and the ocean freight rate.

Upon completion of the commodity and freight purchase, the total actual purchase price is divided by the signed sales agreement sales price to determine the cost recovery percentage.

As part of budget planning, PPs are encouraged to closely manage their freight budgets to avoid shortfalls. In general, for every $1 in freight funds expended, PPs should endeavor to generate at a minimum $1.50 in monetization proceeds. Doing so, will also help PPs better navigate swings in freight costs when oil prices and inflation are pushing up transportation costs.

Factors That May Impact Cost Recovery

Freight and Sales Terms -

Food assistance 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, some buyers may be accustomed to purchasing closer to the point of arrival, which entails much shorter lead times for delivery. Finally, U.S. commodities may trade at a premium to their international competitors, which can limit some of the cost efficiencies typically experienced by commercial buyers in the target countries.

On the other hand, monetized food aid may carry some special advantages for potential buyers. For example, monetized food aid may be payable in local currency, thus preserving foreign exchange reserves and avoiding the need to obtain foreign exchange licenses which may be difficult to obtain in some countries. Donated commodities may be of 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 assistance 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.

Duties and Taxes –

Monetized food aid may be exempt from duties and taxes. However, any such exemption is not relevant to buyers. Thus, the sales price should not reflect any such exemption. Donated commodities for monetization may be taxed by the host government. PVOs may negotiate with host governments to permit the tax-free importation of commodities. However, USDA does not require tax-exemption for commodities being monetized.

The USDA Agricultural Attaché and PPs must carefully consider the effects of payment or non-payment of taxes in terms of limiting the proceeds or disrupting the local market. 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 USDA Agricultural Attaché and PPs 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 PPs would be allowed to retain those taxes/duties as a host country contribution to the program.

MONETIZATION PLAN REVIEW AND CHECKLIST

The prepared plan is submitted to both the IFAD Commodity Program Specialist managing monetization and the Food for Progress program analyst covering the specific project for review and feedback. The Commodity Program Specialist reviews all of the plan elements and the components to conduct the tender sale. If revisions are suggested, the plan will be returned to the PP for edits. The finalized plan will then be circulated for approval in IFAD and with Post. The following list covers the items that should be submitted to complete a timely review:

- Description the sales platform.
- Payment terms, including use of guarantees, payment insurance, and down payments.
- List of potential buyers.
- Projected sales price or price range
- Projected commodity and freight costs and cost recovery calculation.
- Anticipated date and copy of proposed public notice.
- Anticipated date of sales tender/invitation for bid (IFB).
- Anticipated date of sales order (**call forward**).
- The draft IFB for approval by FAS.
- The draft advertisement for the sales tender/IFB
- Estimated date of delivery in country.
- Confirmation of the point at which title to the commodities transfers to the buyer.
- Confirmation of support/agreement of Post (**Provided by IFAD).**
- The marine insurance clause.
- Other relevant considerations or risks to review.

SECTION B – THE MONETIZATION PROCESS

MAKING A MONETIZATION SALE

INITIAL STEPS – AFTER THE PROJECT AGREEMENT HAS BEEN SIGNED

Once the Proposal has been approved and the Agreement signed, the PP can move forward. It is possible that since the Proposal was completed commodity prices, transportation costs, and markets have changed. The PP should monitor these changes as closely as possible and update their monetization plan accordingly. The PP, with the assistance of IFAD, should revisit the plans and reconfirm the following: (i) monetization proceeds will be adequate based on the current fair market price; (ii) buyers remain interested in the commodity; (iii) the market remains capable of accepting the proposed volume without disruption; and (iv) the cost recovery remains acceptable. The monetization plan should identify the following:

CONDUCTING THE SALE

Step 1. Sales Platform

The most common platform is an open tender, but to maximize cost recovery, it may be necessary to use a tender with an option to negotiate or engage in direct negotiation. The first option is to always conduct an open tender unless special circumstances require an alternative. In those cases, the PP should engage in a direct conversation with IFAD. PPs should strive to host the most competitive, open sales process as possible 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 after an attempt at an open tender may yield a higher sale price.

With all open tenders an Invitation for Bid (IFB) will be issued. An example of an IFB is shown in Appendix 4. The IFB should avoid mentioning "donated" commodities or reference the USDA or U.S. government. Also, the IFB should stipulate restrictions on re-export of the commodity outside of the monetization market or region. IFAD must approve the IFB prior to issuance. The PP and their freight forwarder should be working with IFAD's Operations Branch to ensure commodity and transportation funds are available and adequate for the IFB. The monetization sale should mimic a normal commercial transaction as closely as possible.

Step 2. Conduct Sale

A. Developing a Sales Agreement

Once the sales tender process has been completed, PPs can confirm the price, product specifications, and estimated delivery timeframe as part of the final sales agreement. Although sales agreements will vary according to country circumstances, the following essential provisions must be included (See Appendix I for information on commodity trading terms and standards):

- Full commodity specifications.
- Identification of documentation that will be used to verify commodity specifications.
- Quantity to be sold in metric tons to the nearest 10 metric ton increment.
- 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), 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 the monetized commodities, if it is regional sale the re-export exclusion will pertain to outside of the region itself.
- Estimated time of shipment (non-binding).
- Statement of purchaser's capability to take delivery, properly store, and successfully market the commodities.
- Statement specifying how parties will manage cargo losses/damages.
- Transfer of title.
- Agreement by purchaser, having accepted the commodities when discharged at the port of entry, not to make claims, thereafter, about the "wholesomeness" or "fitness" of the commodities.
- Any packaging requirements, such as bags.

The full contract value (the sales price per MT multiplied by the total tonnage) will reflect the price and quantity agreed upon between buyer and seller. The contract should include a variance clause that accounts for any price fluctuations that might occur between the agreement signing and the purchase of the commodities for delivery. Variances can range in most cases from 5 to 15 percent of the contracted total.

B. Payment Guarantees

USDA encourages PPs to secure the sale of commodities by securitizing payment for the commodities. This can take the form of a letter of credit and can include a good faith down payment at time of the signing of the sales contract agreement. The size of the down payment is negotiable and can range from 5 to 10 percent. Payment and/or bank guarantees from the buyer's bank should be in place prior to the purchase of the commodity and freight

also known as the call forward process. Note that PPs are responsible for the value of the commodity until it is delivered, and they have received payment.

IFAD must approve Sales Agreements prior to signing.

Once the Sales Agreement has been signed, the PP will immediately contact IFAD to advise that a sales order has been entered in the web-based supply chain management (WBSCM) system. WBSCM provides an integrated commodity purchasing, tracking, and ordering system for USDA and USAID as well as our customers, vendors, suppliers, and transportation personnel.

Step 3. Handling of the Commodity:

Title to the commodities for monetization is transferred to the buyers at the time the cargo passes the carrying ocean vessel's rail. The buyer is responsible for all arrangements in connection with the receipt, storage, and maintenance of the commodities for monetization from the time title transfers. This includes obtaining a marine insurance policy to cover any cargo lost once it has been loaded onto the ocean vessel. PP's still need to monitor the shipment of the commodity up until payment is received and delivery is completed to the buyer at the designated port of discharge.

SECTION C – POST-MONETIZATION ASSESSMENT

1. Purpose

The primary objective of the post monetization assessments is to document the effects of monetization in the target country or region to determine whether monetization sales caused any adverse market impacts. Adverse impacts may include displacing commercial trade, discouraging local food production, depressing commercial prices, or increasing market consolidation. The assessments will be conducted by independent, third-party evaluators.

2. Assessment

Selected third party evaluators will conduct in-depth assessments of the impact of monetization on a country or region's economy where the monetization occurred. The assessment should include both desk-based and in-country studies. For regional monetizations with multiple bidders in multiple countries, the study will need to be large enough to capture the scale of that approach. Data should be collected from both primary and secondary sources of information, and the assessment should use a mixed-methods approach that applies qualitative and quantitative techniques and triangulates information from different methods to enhance the reliability of the findings.

Outside of a third-party evaluation, USDA expects Program Participants to regularly monitor both local and regional markets as part of their standard practices to understand their operating environment. Monitoring markets during project implementation could include identifying any unduly negative effects attributable to monetization, as well as tracking local or regional prices at regular intervals and at relevant marketing points (please see price/time series data template below). This data should be made available to the third-party evaluator. The third-party evaluator can also collect that data as part of its assessment. Monthly pricing data should also be collected for at least five years before the start of monetization for a period of eighteen months after that arrival of the last tranche.

3. Terms of Reference (TOR)

All awarded PPs will submit a Terms of Reference (TOR) for the RFP to solicit the third-party contractor to IFAD for review and approval prior to publishing the solicitation. Once a contractor is selected, the PP will submit that information to IFAD as well. Awarded PPs should endeavor to submit their TORs alongside their initial monetization plans.

5. Types of questions to be answered.

Examples of the questions the evaluator should answer, but not limited to:

- To what extent did monetization affect local or regional production and consumption in the short - (few months after monetization), medium- (marketing year[1] after monetization), and long-term (subsequent marketing year)?

[1] USDA uses local marketing years in official estimates in the Production, Supply, and Distribution (PSD) database. Marketing years differ by country and by commodity. For more information on definitions related to the PSD database please see https://apps.fas.usda.gov/psdonline/app/index.html#/app/about#G10

- To what extent did monetization displace commercial trade in the short-term, medium-term, and long-term?
- Are there any substitutes for the selected commodity? If so, did the monetization of the selected commodity impact production/marketing of those substitutes?
- Was the timing and volume of the sale appropriate?
- Did sales occur as intended or was there a lag because of unforeseen conditions in the market?
- What were the initial PVO estimates for price and quantity? What were the actual prices and quantities of the commodities sold?
- To what extent was in-country storage utilization affected?
- Did monetized commodities crowd-out commercial or local commodities in competition for storage facilities?
- Did the cost for storage change due to the monetized commodity coming into the warehousing market?
- Was the transportation infrastructure affected? How?
- Were buying patterns of local and international actors affected? If so, what was the magnitude and length of the change?
- Was there an effect on prices? If so, how? Do price trends in the market parallel overall global trends or are there circumstances unique to that particular market?
- What happened to local and international prices during this period? (Were there any sudden price shocks that differed from other years)?
- Do price fluctuations follow a global, regional, or particular local pattern?
- Were there any other market factors that could have impacted prices during that time? (For example, adverse weather affecting production, the one corn processor had their mill damaged/prolonged power outage and stopped buying corn (which may have caused lower local prices for farmers), etc.)

Market information that would be helpful to discuss in the analysis would include the following:

- Market context – how the commodity is produced, consumed/processed, traded, marketed generally in the context of this country or region. What is the structure of the local market. Is it competitive or dominated by a few players? Does this effect pricing? This would also include a discussion of relevant country or regional policies and regulations that impact the market dynamics of the commodity.
- Prices (local – ideally farm gate prices if the commodity or substitute commodity is produced there or wholesale prices if the commodity is a processed product) and international) –if prices are in the local currency, there should be some discussion about the local currency vs the U.S. dollar over the time period.

- Commodity supply and demand balance sheet for a few years prior and current year (i.e. similar to USDA's PSD or Production, Supply, and Distribution) for the commodity and country/region. Evaluators may use USDA PSD balance sheets for a commodity and country/region if they are available. USDA PSD estimates should be compared with information from local/regional market sources and discrepancies should be noted and discussed in the Market Assessment. A supply and demand balance sheet includes estimates for the following and balances (i.e., Supply equals Demand):

    - Supply:
        - Beginning Stocks (this is different than storage capacity)
        - Production (including estimates of acreage planted and harvested AND yield)
        - Imports
    - Demand:
        - Consumption (human, for feeding animals (if applicable), residual)
        - Exports
        - Ending stocks

APPENDIX 1: COMMODITY TRADING TERMS AND STANDARDS

Federation of Oils, Seeds, and Fats Association (FOFSA International) – https://www.fosfa.org/about-us/rules-and-regulations/

Grain and Feed Trade Association (GAFTA) – https://www.gafta.com/

North American Export Grain Association (NAEGA) – http://naega.org/?page_id=1223

NAEGA makes its services related to NAEGA Contracts available to everyone. These services include Arbitration, the issuance of Certificates and information relating to strikes, riots, lockouts, and embargoes, or other conditions affecting contract performance.

National Oilseed Processors' Association (NOPA) – https://www.nopa.org/resources/trading-rules/

NOPA has trading rules committees for both soybean meal and soybean oil, comprised of both buyers and sellers. These committees review the Association's trading rules and recommend revisions when warranted. These rules are meant to serve as guidelines for sales transactions. Parties to such transactions are free to adopt, modify, or disregard any or all of these Trading Rules.

Link to Soybean Meal trading rules: https://www.nopa.org/wp-content/uploads/2018/10/NOPA-SBM-Trading-Rules_effective-Oct-1-2018.pdf

APPENDIX 2: BULK COMMODITY LIST

Bulk Grains • Yellow Corn • Milled Rice • Sorghum
Feed Additives • All Beef Packer Tallow • Extra Fancy Tallow • Yellow Grease
Grain Byproducts • Distiller's Dried Grains w/Solubles (DDGS)
Soybeans and Soy Products • Yellow Soybeans • Soybean Meal (SBM) • Crude Degummed Soybean Oil (CDSO)
Wheat • Hard Red Spring Wheat (HRS) • Dark Northern Spring Wheat (HRS sub-class) • Northern Spring Wheat (HRS sub-class) • Hard Red Winter Wheat • Soft Red Winter Wheat • Soft White Wheat

USDA FAS

APPENDIX 3: DATA SOURCES

United Nations (UN) Comtrade http://comtrade.un.org/db/

International Trade Centre (ITC) Trade Map http://www.trademap.org/

COMESA's COMSTAT http://comstat.comesa.int/Home.aspx

USDA PSD Online www.fas.usda.gov/psdonline/psdQuery.aspx

USDA GAIN http://gain.fas.usda.gov/Pages/Default.aspx

USDA World Supply and Demand Analysis (WASDE) www.usda.gov/oce/commodity/wasde/

USDA (historic) prices www.ers.usda.gov/topics/crops/soybeans-oil-crops.aspx

USDA Dairy Market News Portal www.marketnews.usda.gov/portal/da

USDA oilseeds prices www.fas.usda.gov/oilseeds/Current/

FAS Global Agricultural Trade System (GATS) www.fas.usda.gov/gats/default.aspx

FAS BICO Reports www.fas.usda.gov/GATS/BICOReport.aspx

FAS Online Food Aid Tables www.fas.usda.gov/excredits/FoodAid/Reports/reports.html

USDA Livestock, Grain and Marketing News http://www.ams.usda.gov/AMSv1.0/lsmnpubs

USAID BEST / Bellmon Analysis
http://transition.usaid.gov/our_work/humanitarian_assistance/ffp/bellmonana.html

USAID Commodity Calculator
http://transition.usaid.gov/our_work/humanitarian_assistance/ffp/impletool.html

USAID Monetization Field Manual
http://www.usaid.gov/sites/default/files/documents/1866/MonetizationManual12222012FINAL.pdf

FEWS NET www.fews.net/Pages/default.aspx

FEWS NET's Drought and Flood Assessment www.fews.net/Pages/archive.aspx?pid=300%20

World Food Programme (WFP) www.wfp.org/food-security/

WFP Interfais www.wfp.org/fais/quantity-reporting%20

Food and Agriculture Organization of the UN (FAO) STAT http://faostat.fao.org/

FAO GIEWS	www.fao.org/giews/english/index.htm
GIEWS National basic food prices	http://www.fao.org/giews/pricetool/
FAO GIEW's Food Outlook	www.fao.org/giews/english/fo/index.htm
FAO Crop Prospects and Food Situation	http://www.fao.org/giews/english/cpfs/index.htm
FAO Monthly News Report on Grains	www.fao.org/economic/est/publications/grains-publications/monthly-news-report-on-grains-mnr/en/
Eurostat	http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home
South African Grain Information Service (SAGIS)	www.sagis.org.za/
(China) National Bureau of Statistics	www.stats.gov.cn/english./
International Grain Council (IGC)	www.igc.int/en/Default.aspx
IGC World Grain Statistics	www.igc.int/en/publications/worldgrainstatistics.aspx
Agrimoney	www.agrimoney.com/home/
HGCA	www.hgca.com/content.template/0/0/Home/Home/Home.mspx
Strategie Grains	www.strategie-grains.com/
NOAA	www.cpc.ncep.noaa.gov/products/african_desk/cpc_intl/
USGS Early Warning and Environmental Monitoring (EWEM)	http://earlywarning.usgs.gov/
Martell Crop Projections	www.martellcropprojections.com/
ForeignAssistance.gov	www.foreignassistance.gov/
World Bank Pink Sheets	http://data.worldbank.org/data-catalog/commodity-price-data
IMF Primary Commodity Prices	www.imf.org/external/np/res/commod/faq/index.htm
US Wheat Associates Weekly Price reports	www.uswheat.org/reports/prices
Kansas City Board of Trade (HRW Prices)	www.kcbt.com/
Minneapolis Grain Exchange (HRW & SWW)	www.mgex.com/
Chicago Board of Trade (SRW, Soybean, SBO,SBM,Corn)	www.cmegroup.com/
Oil World	www.oilworld.biz/app.php?ista=c2436850921505dfb84f05a8f7693e08

Trade Data Monitor	https://tradedatamonitor.com/
International Grains Council	https://www.igc.int/en/default.aspx
Fryer's Reports	https://fryersreports.com/
World Perspectives Inc.	https://www.worldperspectives.com/

APPENDIX 4: EXAMPLE OF AN INVITATION FOR BID

INVITATION FOR BID
for
[Commodity Description Here]

[PVO / SELLER NAME HERE], ("Seller") a U.S. based organization with its headquarters at [ADDRESS], United States of America; acting through its office at [FOREIGN OFFICE ADDRESS].

Seller announces the sale of U.S. agricultural commodities.

Seller invites firm bids delivered no later than 00:00 hours (LOCAL time) on [Date/Month/Year], on the terms and subject to the conditions contained in the applicable form of sales agreement available upon request as described below.

Transaction Overview

This overview is only an introduction to the terms of this transaction. Any decision to submit a firm bid in response to this invitation must be based on a consideration of all of the provisions of the applicable form of sales agreement. Please contact POC at the telephone numbers or addresses provided below to request a copy of the applicable form of sales agreement.

Commodity Specifications:	
Class:	Hard Red Winter Wheat (HRW)
Grade:	U.S. No. 2 or better
Protein (Min):	12.5% (on 12% moisture basis)
Moisture (Max):	13.5%
Dockage (Max):	0.6% (no deduction for dockage)
Test weight lbs./bushel (Min):	58.0
Falling Number (Min):	300
Wheat of Other Classes (Max):	2.0%
Origin of commodity:	United States of America
Individual lots:	**LOT A:** One lot of 0000 metric tons in bulk (+/-X% at seller's option)
	LOT B: One lot of 000 metric tons in bulk (+/-X% at seller's option)

	LOT C: One lot of 000 metric tons in bulk(+/-X% at seller's option)
	A bidder may bid for: (i) one of the individual lots; (ii) any combination of the individual lots, (iii) all of the individual lots.
Minimum and Maximum Quantities:	Minimum Bidding and Purchase Quantity: • **LOT A:** 000 metric tons • **LOT B:** 000 metric tons • **LOT C:** 000 metric tons
	Maximum Bidding and Purchase Quantity: • **LOT A:** 000 metric tons • **LOT B:** 000 metric tons • **LOT C:** 000 metric tons
Quality:	Final at the U.S. Loading Port as per the Official Export Inspection Certificate.
Minimum Bid Price:	Bids below the minimum bid price of $$$$ per metric ton shall not be considered.
Sales Agreements:	Seller has its own sales agreement. Before submitting a bid, please contact POC at the telephone numbers or addresses provided below to request the sales agreement form. Each buyer will be expected to conclude a signed sales agreement within five (5) working days of notification of the acceptance of a bid.
Delivery Terms: **Discharge Port:**	Cost & Freight (CFR, Incoterms 2010) [Discharge Port], [one or two safe berths, Free Out terms.]
Shipping and discharge:	
U.S. Loading Port:	The U.S. Loading Port to be determined.
Vessel:	The commodity will be shipped from the U.S. Loading Port to be determined through an ocean freight tender process. The vessel may be geared or gearless,

	tween/multi-deck or ocean-going barges. If buyer requires gear to be provided by the vessel, the gear requirements must be provided to Seller prior to finalization of sales agreement.
Estimated shipping date	Estimated during Month Year. ***Seller does <u>not</u> guarantee any estimated shipping date from the U.S. Loading Port or any estimated delivery date at discharge port.***
Estimated delivery date	Estimated during Month Year. Seller does ***<u>not</u> guarantee any estimated shipping date from the U.S. Loading Port or any estimated delivery date at Discharge Port.***
Port costs and fees:	For Bulk Commodities: All port costs and fees for discharging the commodity from the ship, including offloading and stevedoring, and on the quay and in the port, including vessel demurrage (if any), are for the account of the buyer(s).
Discharge rate:	For Bulk Commodities: The required average discharge rate of the Commodity will be specified in the applicable Sales Agreement(s).
Other Terms:	The successful buyer(s) must agree that the Commodity will be imported into [Country]. Once the Commodity has been imported into [Country], the Buyer(s) guarantee(s) that neither the Commodity nor any by-products thereof will be exported out of [Country].
Taxes and Fees:	Any charges, including, but not limited to, any export or import duties, taxes, levies, fees, surcharges, vessel dues, licenses, certificates, inspections or documentation or any requirements of the Government of [Country] for the importation of wheat into [Country] or otherwise shall be for the account and risk of the buyer(s).
Payment Terms:	

Currency:	U.S. Dollars
Initial cash payment (10%):	At the time the sales agreement is signed, the buyer(s) must pay 10 percent of the Initial Purchase Value to the Seller in immediately available funds, paid to the bank account as instructed by the Seller.
Letter of Credit (90%):	No later than 10 calendar days after the Effective Date of the sales agreement, the buyer(s) must open an irrevocable sight letter of credit payable at sight in favor of the Seller for 90 percent of the Initial Purchase Value. The letter of credit must be valid for at least 180 days and shall remain in full force and effect until the outstanding balance of funds owed to the Seller has been paid in full, or until the expiration of the agreement, whichever occurs first. Confirmation of the letter of credit will be an option of the Seller.
Fees:	All banking charges inside [Country] and all charges related to the opening or confirmation of the letter of credit will be for the account of the buyer(s).
Bids:	A bid must be made in writing and signed by an authorized officer of the company/entity making the submission. The bid shall include the unit price per metric ton, the total number of metric tons, the individual lot(s) selected and the total bid price both in figures and in words. The information contained in the bid must be provided on the basis of the terms and conditions in the sales agreement. A bid must be addressed to the attention of POC, the Country Representative of Seller in [Country].
Deadlines and method for submission of bids:	
Submission Deadline: *By 00:00 hours (local time) on Date / Month / Year*	Submission Place and Methods: Bids must be received at [Address] before 00:00 hours (local time) on Date / Month / Year Bids may be submitted:

	(i) in person; (ii) by courier; (iii) by fax; or (iv) by email (in which case the bid must be included as a separate signed document attached to the email).
Responses to Bidders: Deadline: *by 00:00 hours (Local time) Date / Month / Year*	Responses to all companies/entities submitting a bid will be given in person or by telephone.
Contact times and information:	Monday through Friday, between 0:00 and 00:00 hours (local time) to the attention of the following individual(s): POC Telephone: Fax: Mobile: Email:

Seller reserves the right, acting in its sole discretion and without providing any reason,

- to accept, reject or negotiate any or all of the bids it receives in response to this invitation;
- waive any or all of the conditions of sale;
- cancel this invitation for bids; or
- issue a new invitation for bids, which may or may not be the same as this invitation.

APPENDIX 5: SAMPLE SALES CONTRACT

This sample contract is NOT to be used as a template for direct use. This sample is non-binding and is only provided for background information purposes. It is not a formal endorsement from IFAD. A PVO may wish to review the USAID/FinTrac Monetization Manual for additional sample contracts. Other resources for sales contracts are listed in Appendix I.

Sales Contract

PURCHASE AND MONETIZATION SALE AGREEMENT

This agreement is made the ___ day of _____ 20__ between the SELLER and PURCHASER.

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 principal 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 principal 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 (if packaging required), 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-workdays 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-plies 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, 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 USDA and as incorporated at I.A, above.

I. “USDA” shall mean the United States Department of Agriculture. “FAS” shall mean the Foreign Agricultural Service of the USDA. “IFAD” shall mean the International Food Assistance Division of FAS’s Global Programs.

A. “Vessel” shall mean the vessel used to transport the Commodity. The performing vessel(s) shall be chartered in accordance with the freight tender procedures as established by the USDA.

II. EXPRESS CONDITIONS OF THIS SALE

A. The sale of the Commodity is expressly conditioned upon: USDA supplying the Commodity to Seller;
B. All rights, title and interest in the Commodity is determined by and subject to applicable United States laws and regulations.

The Purchaser may not re-export the Commodity or by-products thereof from *(insert name of country or region where applicable)*.

In the event that the conditions outlined at II.A.1, above, are not met this Agreement shall automatically terminate without liability to either party.

III. PAYMENT

A. Within ten (10) calendar days of the execution of this Agreement, Purchaser will obtain and deliver to Seller an Irrevocable Sight Letter of Credit in favor of Seller for 100% of the Purchase Price or Another form of Credit Guarantee. The Letter of Credit will be for [specific the amount] through a bank acceptable to Seller and confirmed by a U.S. bank. If Purchaser fails to open the letter of credit or establish an acceptable credit guarantee in an acceptable form by this time, Seller has the right to extend the shipment period accordingly to suit vessel availability or to cancel the contract with all the costs and consequences for Purchaser's account and sell the Commodity to a different party/buyer.

B. The Payment Guarantee shall:
   1. Be open and effective as per provision III.A. and 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 comes 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. Original Commercial Invoice;
   b. Three (3) original and three (3) copies of Bill of Lading marked "freight prepaid" or words of similar substance;
   c. One (1) original and two (2) copies of FGIS Weight Certificate;
   d. Note other required documentation, such as a Phytosanitary Certificate from USDA/APHIS, a Certificate of Origin, etc.

C. Purchaser shall waive any discrepancies between the Payment Guarantee and the above-referenced documents that are either of typographical nature or clerical errors or 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: One hundred percent (100 percent) payment on sight against the Shipping Documents after loading if shipping in a single consignment, or 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.

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 discharge port(s) to which commodity will ship)*, hereinafter referred to as "Port(s) of Discharge"), as follows:

a. The Complete Order of the Commodity subject to the agreed variance at U.S. Port estimated, without guarantee, between (*insert date range, including year, for loading*).

b. In the event of more than one consignment:

i. first consignment of *(insert number in numerals)* MT of the Commodity, subject to the agreed variance, at U.S. Port estimated, without guarantee, between *(insert date range, including year, for loading)*;

ii. second consignment of *(insert number in numerals)* MT of the Commodity, subject to the agreed variance, at U.S. Port estimated, without guarantee, between (*insert date range, including year, for loading*); and,

iii. third consignment of *(insert number in numerals)* MT of the Commodity, subject to the agreed variance, at U.S. Port estimated, without guarantee, between *(insert date range, including year, for loading).*

B. Seller will:

a. Order the Commodity from USDA for loading in [month and year]. The Bills of Lading, however, will be dated when the Commodity is actually loaded on board the Vessel.

b. Ship the Commodity from a U.S. Port determined by USDA. Actual shipment schedule(s) will be based on USDA procurement and delivery schedules. The load and delivery dates are neither promised nor guaranteed by the Seller.

c. Deliver the Commodity to the Port(s) of Discharge on a Cost and Freight (CFR) basis, (add any additional details on payment terms, liner terms, prepaid portions, etc.).

d. Use reasonable and all efforts possible to keep Purchaser informed of status of Vessel loading and the Vessel's ETA at the Port(s) of Discharge so as to enable the Purchaser to make the necessary arrangements to accept Commodities.

e. 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:

a. Arrange, at Port(s) of Discharge, at its own expense for its own benefit, sufficient transport and/or storage facilities to receive cargo as fast as the Vessel can discharge during normal working hours. [Terms of discharge may be specified including a guaranteed minimum discharge rate from bulk carriers or "tween" deckers or accommodations for "gearless vessels" that may use marine legs or other discharge practices – Seller should discuss with their freight forwarder in advance of sale]
b. 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.
c. 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.
d. Notify the Seller and the discharge surveyor of any damage to the Commodity discovered at discharge.
e. Resolve any disputes relating to the settlement of laytime or the payment of demurrage or dispatch directly with the Vessel owner or agent.
f. Import the Commodity into [Country] and the guarantee that neither the Commodity nor any by-products thereof will be exported out of [Country or Region, as applicable].

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 the loading port in the United States, as set forth on the Bill of Lading) in accordance with this Agreement.

F. Risk of loss and title of the Commodity passes to the Purchaser in accordance with the shipping terms CFR (Incoterms 2020 International Chamber of Commerce). Purchaser shall be responsible for insuring the Commodity once risk of losses passes to the Purchaser.

V. DEFAULT IN DELIVERY / FORCE MAJEURE

A. Purchaser shall pay the Seller for that portion of the Commodity loaded in accordance with the terms of this Agreement.

B. Seller may terminate this Agreement without prejudice to any other rights of Seller in the event the Purchaser fails to open the Payment Guarantee by the time required by provision III.A of this Agreement.

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 in written form;

E. 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,

F. 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;
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.

G. BREACH. If 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 cancel this Agreement, subject to the reservation of the non-breaching party's rights or compel performance of obligations by the breaching party.

H. 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.

I. 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, [name of state or District of Columbia], United States of America. In addition, the rules and regulations established under the Food for Progress program and the USDA Foreign Agricultural Service are fully incorporated into this Agreement.

J. ARBITRATION. Purchaser and Seller shall make every effort to resolve amicably by direct negotiation any disagreement or dispute which may arise between them under or in connection with this Agreement. In the case the parties do not come to an amicable solution after 30 days from the commencement of such negotiation, either Purchaser or

Seller may require by writing the dispute to be referred to arbitration. Any controversy, claim, or dispute arising in connection with this Agreement or its interpretation, performance, or breach thereof, which cannot be settled amicably by direct negotiation, 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. The arbitration shall be final and binding on both parties. Purchaser and Seller hereby recognize and expressing consent to the jurisdiction over each of them of the American Arbitration Association or its successors. 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.

K. IMPORT OF THE COMMODITIES, DUTIES AND TAXES: 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).

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

M. COUNTERPARTS. This Agreement shall be signed in three (3) original counterparts, one (1) for the Purchaser and two (2) for the Seller, with 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)

APPENDIX 6: MONETIZATION AGENTS CONTACT INFORMATION

CBI Global
Key Staff: Lisa Knight (agent), Scott Grady (agent), David Brown (CEO)
Telephone: (410) 848-5105; (410) 610-0225
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Website: www.cbi-global.com

JDM Monetization Services, LLC
Key Staff: Jon Mooney, President
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RPX Consulting Inc.
Key Staff: Matthew C Krzyston, Director
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CFA Services
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Saramac Consulting
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Cantera Partners
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Fettig & Donalty, Inc.
Key Staff: Mike Lagoon
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Email: mlagoon@fettigdonalty.com
Website: www.fettigdonalty.com

APPENDIX 7: FREIGHT FORWARDERS

BKA Logistics LLC
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LifeLink Logistics
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Geodis USA, Inc.
Key Staff: Frank Tripodi
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Website: www.geodis.com

Muller Shipping Corporation
Key Staff: Paul Blizzard
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Email: blizzard@mullershipping.com

DSV Air and Sea, Inc.
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Website: www.dsv.com

Fettig & Donalty, Inc.
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