Charting a New Direction for U.S. International Food Aid

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The Road We’ve Taken

- Disposing of the Mountain of Agricultural Surplus in the 1950s and 1960s
- Responding to a Changing Global Agricultural Scene in the 1970s and 1980s
- Some Further Adjustments in the 1990s
The 1950s and 1960s—Disposing of the Mountain

- Wartime farm policies supported increased U.S. production
- Farmers began reaping the benefits of R&D
- A developing world with unmet food needs had few resources to pay for imports
- The idea of “sharing the bounty” captured the imagination
P.L. 480 was set up in 1954
It took up some of the slack

- Soybean oil exports as food aid expanded quickly:
  50 mn lbs in 1954
  550 mn lbs in 1955
  1.35 mn pounds in 1965

- Wheat became the staple grain of food aid
In constant 2004 $ 

From 1953-1961

- Food aid budgets averaged nearly $4 billion a year
- P.L. 480 Title I (concessionary sales) accounted for about 60%
- Title II (grant food aid), about 40%

- Source: USAID Greenbook, 2006
Changes in global and U.S. agriculture in the 1970s/80s affected food aid context

- U.S. farm policies reduced the levels of government-held surpluses and fueled an export boom in the 1970s
- The Green Revolution increased production in many developing countries
- Between 1960-1985, worldwide food and agricultural production almost doubled and trade expanded 2.5 times
- One might ask: Why not phase out PL 480?
No – A Changed Approach

- Crises in Africa in the early 1970s and mid-1980s underscored the need for a food security safety net.
- But -- as most food aid purchased on the U.S. market, food aid supply shrank when prices went higher. The budget constraint became clear.
- Food aid not as “reliable” as thought - worries about the new “dependence” on wheat as a consumption staple.
- Greater professionalization of food aid management led to diverse programs, growth in PVO participation, introduction of Title II monetization in 1985.
- Greater economic benefits to American business were assured through operational mandates - became a pillar of political support for continued funding.
TOTAL FOOD AID SHIPMENTS AND CEREAL PRICES 1970-2005

Note: Prices represent annual export unit values for cereals, US$/tonne
Data for 2005 is provisional

SOURCE: FAO 2008

- Farm Bill, 1991: Made the food security of low-income developing countries the over-riding goal of food aid – a gradual turn toward food-insecure Africa
- Farm Bill, 1996: Increased ability of implementing PVOs to monetize Title II food aid – a quick rise to 100%
- Continued growth in global food/feed markets - developing country imports were growing most rapidly
- New supplier-countries fighting for market share - U.S. farm policies sought to keep U.S. exports competitive but fueled a renewed debate on the rules for global trade
- A reduced niche for program food aid (Title I) post-GATT
The Global Food Aid Summary Reflects U.S. Trends
Greater refocusing on Africa

A gradually increasing U.S. budget constraint... in constant 2004 $

- **From 1962-2000**
  - Average annual U.S. food aid budget down to $3.5 billion
  - 55% Title I; 43% Title II

- **From 2001 – 2004**
  - Average annual U.S. budget down to $2 billion
  - 11% Title I; 68% Title II

- **Per GAO, Title II costs are rising – so recipient numbers are declining**
  - Tonnage in 2000 – 5.3 million MT
  - Tonnage in 2007 – 2.4 million MT
2007 Farm Bill Debate: Food Aid at a Crossroads

- THE CURRENT PATH
- FOCUS ON CRISIS
- MAXIMIZE FOOD SECURITY
Is It Time to Build a Bridge From Farm Policy to Foreign Policy?
THE CURRENT PATH

Some Good Reasons
- Well-trodden
- U.S. still plays important global role
- Continued reduction of Title I consistent with WTO commitments
- U.S. agribusiness and shipping communities benefit

But Several Drawbacks
- Not meeting goals
- Impact likely to decline further
- Risky: Supplemental budgets essential to meet many emergencies
- Unavoidable conflicts between emergency and development program needs
- No capacity to respond to new challenges
FOCUS ON CRISIS

Advantages
- Avoids the ‘CNN moment’
- Sets out clear goal: saving lives
- Responds to basic American values
- Concentrates available budget

Disadvantages
- Band-aid
- More pre-positioning would raise costs/ton
- Ignores the chronic hunger of more than 800 million people
- Challenging for PVOs to work effectively if always in crisis mode
MAXIMIZE FOOD SECURITY

Benefits of This Path

- Consistent with 1991 legislative goal
- Builds on PVOs experience
- Allows response to both short- and long-term needs
- Could be linked with efforts to promote agriculture and develop local markets

Some Risks

- Derailment by emergency needs
- Little agreement on priorities
- If monetization increases, possible trade issues
- If LRP an option, U.S. business interests could reduce political support
Time To Start Afresh?

- The popular image of food aid is out of date
- Food aid policy has been marginalized in farm policy debates
- A results-oriented approach could garner new support
- With the current global agricultural outlook, some out-of-the-box thinking is needed
Six Steps: Begin Building a Bridge from Farm Policy to Foreign Policy

1. Commit to “improving food security” as the critical goal for food aid
2. Establish a new budget structure
   - Title A: Rapid-onset emergencies
   - Title B: Protracted emergencies/recovery
   - Title C: Developmental uses of food aid
3. Simplify administration
4. Adjust operational requirements
5. Expand joint jurisdiction
6. Ensure that there will be learning from experience
Thank you!