Charting a New Direction for U.S. International Food Aid Outside of the U.S. Farm Policy Framework
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Emmy Simmons, Partnership to Cut Hunger and Poverty in Africa[1]

Introduction

For more than five decades, the United States has been a generous donor of international food aid. The popular view is that our donations of food aid reflect the bounty of American agriculture and save the lives of people in faraway countries when they find themselves in dire circumstances due to natural disaster or conflict and supported their economic recovery process.

I will suggest here that the popular image of food aid does not accurately reflect reality. The current U.S. policy on food aid results in programs that: reflect America's economic interests as much as its humanitarian generosity; focus on short-term results in specific places and largely ignore the bigger picture of global hunger and poverty; and are not as effective as they should be. U.S. food aid programs reach fewer hungry people than they could; they provide less nutritional value than they might; and they do not support the foreign policy or economic interests of the U.S. as strongly as they should.

I propose that purposeful changes in food aid policy and programming could: clarify our objectives; expand the programs' reach; and make the organizations working most closely with the hungry people of the developing world more effective. The clearest path for productive change in food aid policy and practice seems to involve gradually moving food aid policy out from the shadow of U.S. farm policy -- charting a new direction for food aid. Food aid policy and programming should gradually be aligned and, ultimately, merged with our foreign policy and foreign assistance programs.

The Origins of Food Aid: An Over-Abundant American Agriculture

It is useful to recall that the origins of the U.S. food aid are firmly embedded in domestic agricultural policy. As President Eisenhower put it in a Special Message to Congress in 1956, "Of the many difficulties that aggravate the farm problem, mountainous surpluses overshadow everything else."…"In short, we have an over-supply of commodities which drives down prices as mounting costs force up from below. Thus is generated a

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severe price-cost squeeze from which our farm people, with the help of government, must be relieved. ...During the past three years, there has been no lack of effort to get rid of surplus stocks. Disposal efforts have been diligent and vigorous. Vast quantities have been moved – much of them given away… we have found outlets for commodities in a value of more than four billion dollars.[2]"

U.S. farm policy created the conditions that led to greater production of staple crops. Farm policy measures included: guaranteed minimum prices, mandated and subsidized crop insurance, a robust R&D effort to support the development of new technologies, both federal and state support for extension services, and the Commodity Credit Corporation (CCC) of the U.S. Department of Agriculture (USDA) was directed to acquire and manage stocks that were in excess of market demand.

Converting these unsold stocks into "food aid" was seen as a way to do good (meet the food needs of poor countries and poor people) while disposing of excess U.S. agricultural production that might otherwise flood or overhang domestic markets. The P.L. 480 legislation passed in 1954; with a few changes, this program has been sustained for more than 50 years. The idea of "sharing the bounty" captured the public imagination.

By channeling this government-held excess production on very favorable credit terms or on a grant basis to low-income countries otherwise deemed unlikely to import agricultural commodities from the United States, it was expected that the food aid would not interfere with other U.S. export goals and would benefit the American farm community by expanding a non-market outlet for production. And the food aid program began to show results quickly. 50 million pounds of soybeans were exported in 1954, for example; 550 million pounds were exported the year after and in 1963, 1.35 million pounds were disposed of.[3] In constant 2004 dollars, food aid budgets from 1953 – 1961 averaged nearly $4 billion annually. 60 percent was P.L. 480 Title I, or concessional sales, and 40 percent was Title II.[4]

Early evidence from the surplus disposal activities indicated that recipients of free or concessionally-priced commodities could, as they experienced economic growth, become good customers for U.S. commercial production. This was an added benefit and supported the idea that food aid would be good for trade. Indeed, the section of the Farm Bill dealing with food aid was – and is -- called "The Trade Title."

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[2] Dwight D. Eisenhower: Special Message to the Congress on Agriculture, Jan. 9th, 1956. The American Presidency Project. www.presidency.ucsd.edu/ws/print.php
[3] Hoskin, Roger "Anomalies in the U.S. vegetable oil market – history of vegetable oil export assistance." U.S. Dept of Agriculture, Economic Research Service Report. 1991
[4] USAID Greenbook, 2006.

Changes Were Introduced Over Time

Over the years, however, the role of international food aid as a way of disposing of excess U.S. stocks has faded. Changing policy on farm price supports in the 1970s and 1980s resulted in fewer CCC-held stocks. Growing global markets as well as domestic consumption provided outlets for still-rising U.S. production. Global markets absorbed greater volumes of U.S. agricultural exports as well as commodities from other surplus-producing countries – the competition serving to keep world prices for grains and soybeans on a generally downward trend and stimulating a shift in U.S. exports toward more highly-processed agricultural products. The “Green Revolution” increased production in many developing countries but in many others, especially in Africa, population growth outstripped productivity increases and food deficits actually grew in some countries. Between 1960-85, worldwide food and agricultural production almost doubled and trade expanded 2.5 times.

Food crises in the early 1970s and the mid 1980s drew attention to the importance of food and other humanitarian assistance for saving lives. Programs that linked food aid to assistance to improve maternal and child health were developed and maintained for many years, even in countries such as Peru and India, where agricultural productivity increased significantly. American agriculture continued to provide commodities for free distribution to poor and hungry people in developing countries, but at a level lower in 2001-2005 than in the early days of P.L. 480 and not from surpluses stored in U.S. government warehouses.

Beginning in early 1970s, virtually all U.S. food aid was sourced in the U.S. market and shipped overseas for free distribution or sale. Title I was provided under bilateral concessional loan programs for sale in the recipient country. Title II was donated for free distribution through U.S. private voluntary organizations (PVOs) and the World Food Program. When domestic prices were high, tonnages procured for food aid were automatically reduced; when domestic prices dropped, food aid volumes were increased. Food aid became, in effect, just one more market outlet for American producers – and a relatively minor one at that. Food aid in 2005 was just under four million tons, less than one percent of total American grain and oilseeds production. Given the relatively small size of the international food aid budget in relationship to other domestic agricultural support programs[5] and the relatively small share of the food

[5] In FY 2006, USDA reported that the international food aid budget (i.e., PL 480, 416(b), Food for Progress and McGovern-Dole International Food for Education and Child Nutrition) accounted for $1.3 billion out of a total USDA budget of $94.6 billion. See www.usda.gov/agency/obpa/BudgetSummary/2006/FY06budsum.pdf.

aid budget that goes to the purchase of commodities as opposed to their storage and shipment[6], it is difficult these days to make the argument that

international food aid has any discernible impact on domestic agricultural production incentives.[7]

The establishment of improving global food security as the over-riding goal for food aid in the 1991 P.L. 480 legislation and the more recent addition of the McGovern-Dole International Food for Education and Child Nutrition Program reflect a further turning away from the emphasis on the benefits to American farmers and toward the needs in the developing world. In spite of this reality, however, the popular image continues to emphasize food aid as a symbol of America's bounty as well as an expression of our moral obligation to respond to the needs of the world's poor and hungry.

Considering Further Changes in the U.S. Food Aid Program

Discussions within the food aid community and the broader development community over the past two years have indicated a number of areas where changes in policy, program, and/or practice could improve the effectiveness of U.S. food aid.[8] There is wide agreement that funding levels are inadequate to address the magnitude of both acute and chronic hunger. From 2001-2004, the average annual budgetary allocation to international food aid was half of what it was (in real terms) in the 1950s. Stability and predictability of funding are less than desired by implementing organizations as emergency needs are given priority over funding for developmental programs. In five years out of six between 2001 and 2006, supplemental budget appropriations were essential to meet basic food aid requirements. Emerging food needs, such as nutrition assistance for patients receiving antiretroviral treatments for AIDS, are not being addressed.

And analyses have, for example, shown that the U.S. approach to supplying international food aid is expensive and a greater impact on reducing hunger could be achieved were additional changes to be made. Costs per ton delivered are significantly higher when U.S. food aid is procured in the U.S. and shipped than they would be were the food aid budget used to procure some food on local or regional markets rather than

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[6] The GAO estimates the cost of Title II commodities as no more than 35 or 40 percent of the total cost of the program. GAO Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid. Report to the Committee on Agriculture, Nutrition and Forestry, U.S. Senate, April, 2007. GAO-07-560.

[7] Given the legislated requirement that 75 percent of all food aid be shipped on U.S.-flagged vessels and the relatively small number of such vessels, however, there is a clear impact on American business and jobs in this area.

[8] See Simmons, Emmy "Reconsidering Food Aid: The Dialogue Continues" Partnership to Cut Hunger and Poverty in Africa. Feb. 2007, for a review of the many areas in which potential changes have been discussed. The full report can be downloaded at www.africanhunger.org.

U.S. markets alone.[9] And, given the long supply chain between Kansas and Darfur or Zambia, untimely arrival of U.S. food aid in recipient countries is not uncommon. This has caused recipient countries to question whether food aid may be doing more harm than good. Arrival at harvest times can drive local prices down, reducing local incentives to produce.

Further, as global commodity markets have grown, an increasing number of agriculture-exporting countries have asserted that, under some circumstances, U.S. food aid constitutes a hidden export subsidy and distorts trade[10]. This view is prominently reflected in ongoing WTO negotiations and the debates around the Agreement on Agriculture and has contributed to continued difficulties in bringing the Doha Development Round to a successful conclusion.[11]

The Farm Bill Debate of 2007 Indicates That Food Aid is at a Crossroads

Given this evolving context, therefore, many organizations involved in food aid became active participants in discussions with Congressional staff and members as to possible new directions for the program. Alliances formed to support movement along three distinct pathways. The commodity groups and shipping/transport interests generally supported *the current path*: in-kind food aid procured in the United States and shipped on U.S.-flagged vessels to recipient countries, with additional provisions made for prepositioning food aid in warehousing closer to ports both in the U.S. and abroad. The Administration, mindful of the political imperatives associated with food crises, but proposing a constrained budget, sought greater budgetary flexibility and maximum capacity for *emergency response.* A large group of implementing PVOs advocated that developmental (or non-emergency) food aid programming be given a greater priority and protected from last-minute reallocation to emergency needs. These PVOs argued that when emergency needs crowded out funding for food aid programs that would address the root causes of poverty and hunger, no forward progress of *improving food security* could be made and emergency assistance would become chronic. Most PVOs also agreed that use of local or regional procurement of food aid would help to relieve the budget crunch and expand potential impact. They supported the Administration request for this authority (up to 25 percent of Title II) and were prepared to accept authorization of a pilot program. Most PVOs also supported expanded funding for the McGovern-Dole International Food for Education and Child Nutrition program.

In spite of this vigorous debate, the outcomes reflected in draft legislation underscore that the U.S. approach to international food aid remains firmly embedded in the politics

[9] Tschirley, David "Local and Regional Food Aid Procurement: An Assessment of Experience in Africa and Elements of Good Donor Practice." MSU International Development Working Paper 91. 2007.
[10] WTO "Joint Submission by the African and LDC Groups on Food Aid," Committee on Agriculture Special Session, TN/AGF/GEN13, March 6, 2006.
[11] WTO "Doha Work Programme: Ministerial Declaration." 18 December, 2005. Hong Kong.

and policies of domestic agricultural production and shipping. Continued movement along the current policy pathway is largely reaffirmed. But with a food aid budget locked into the framework of domestic agricultural sector spending – and many other spending targets in the sector claiming much higher priority – it is difficult to see how the current approach can be seen as an appropriate response to food needs in low-income countries or an accurate reflection of larger foreign policy priorities or American public opinion.

The marginality of international food aid in U.S. farm politics and policy is clear in the 2007 Farm Bill drafts from both House and Senate. Several innovative proposals for changing food aid policy and funding approaches over the life of the Farm Bill were put on the table by the administration and by the various organizations that are currently implementing food aid programs overseas. While key Congressional staffers engaged in an active dialogue on these issues, attention of members was focused on the larger issues of federal food and nutrition assistance in the United States and commodity payments. Any changes in the international food aid program that would have involved increased budgetary outlays gained little traction. Proposals that would have allowed for the procurement of food aid within the recipient country or in the region – thus reducing transport costs significantly and increasing the number of beneficiaries that might have been reached – were firmly rejected.

Many still argue that progress toward a more effective and efficient U.S. food aid program can be made without revising the legislation that currently subordinates international food aid considerations to domestic agriculture, food, and nutrition policies. But the challenge of global hunger and poverty deserves more from the United States.

A clear shift of the international food aid program authorities to the international relations/foreign affairs committees would provoke the development of food aid policy and budgets that are more adapted to the realities of global trade and the development aspirations and capabilities of countries that are currently food aid recipients. Such a shift could certainly promote a more coordinated, integrated, and effective approach to food security on the ground. Charting this new direction for U.S. food aid will require political leadership from outside the farm community and a breadth of vision regarding the role of U.S. agriculture in the global economy that remains to be articulated.

A Proposal: Time to Start Building a Bridge from Farm Policy to Foreign Policy

It just might be time to wash the slate clean and start again. Such a fresh approach would allow ideas from outside the current food aid box to be considered Significant changes in global grain supply and demand trends, in part prompted by the outlook on biofuels, are in motion and need to be taken into consideration. The largest food aid account, Title II, is increasingly dedicated to emergency situations and inadequate to deal with the scope of today's hunger challenges, including, for example, providing supplementary nutrition for patients receiving treatment for HIV/AIDS. More in-depth analysis and a commitment to assistance that goes beyond food aid is needed to respond to the persistence of unmet food needs and food insecurity. New constituencies need to be brought into the debate. U.S. foreign policy recognizes that global instability is fueled by poverty. Development and humanitarian assistance need to be integrated so that development joins defense and diplomacy as a pillar of foreign policy. Developing countries' governments need to become partners in humanitarian assistance delivery as they evolve social safety nets for the poorest and most vulnerable populations.

Rewriting USG Food Aid Policy: A Six-Step Process

A six-step process could result in a gradual transformation of the current policy and organizational framework for food aid: (1) define a single goal; (2) establish a new three-part program structure around specific objectives; (3) simplify administration; (4) adjust operational requirements; (5) expand joint jurisdiction in Congress; and (6) ensure that there will be learning from experience.

1. *Define a single goal.* The goal of increasing global food security (defined as the state in which all people have both physical and economic access, on a sustained basis, to sufficient food to meet their dietary needs for a productive and healthy life) should be retained as the over-riding goal for all U.S. international food assistance. It should be recognized that, under most circumstances, people will access their food supplies through functioning markets. In certain circumstances, however, supplementary provision of food through non-market channels may be justified. These circumstances should be defined in law: emergency response, recovery and rehabilitation of populations and communities after emergencies, and the provision of targeted nutritional support where such support will enhance the prospects for achieving sustainable food security over the long term. To assure coherence of U.S. food aid policy and practice in pursuit of this goal, P.L. 480 Titles I and III could be taken off the books. Food for Progress and the McGovern-Dole International Food for Education and Child Nutrition Programs could be brought within a restructured "P.L. 480" legal framework.

2. *Establish a new structure.* P.L. 480 Title II and the Bill Emerson Humanitarian Trust, along with Food for Progress and McGovern-Dole, could be restructured into three new programs (or "titles"), all sharing the goal of increasing global food security, but with specific objectives for each title that would reflect specific conditions of hunger and poverty in recipient countries that justify food assistance.

- *Title A* could provide commodities/funding for **rapid-onset emergencies and the management of immediate post-emergency recovery operations (i.e., within one year).** Title A would incorporate elements of the current Title II and the Bill Emerson Humanitarian Trust. A funding/commodity ceiling could be established for Title A for the five-year period of the Farm Bill. Unused ceiling each year could be carried forward. Supplementals would be sought when more than 20 percent of the ceiling is needed in any single year although "borrowing authority" could be exercised up to specified limits. Depending on the outcome of a feasibility study, the Bill Emerson Humanitarian Trust could continue to be constituted as a commodity/cash reserve or it could be held entirely in cash. A percentage of Title A could be specified as eligible for local or regional procurement, subject to conditions agreed to at time of authorization. Title A funding could also be used to test and introduce national risk management mechanisms and strategies in developing countries that would increase their capacities independently to respond to rapid-onset emergencies in the future.

- *Title B* could provide funding for **protracted emergencies and recovery/rehabilitation** efforts lasting more than one year. A minimum annual tonnage commitment could be associated with Title B, to provide the basis for predictability in food distribution planning over a multi-year period. Authorization of local/regional procurement could be contingent on USDA approval of an independently-done Bellmon analysis. The Commodity Credit Corporation (CCC) of USDA could also use options to buy grain that would assure a predictable flow of supplies from the U.S. or from international markets.
- *Title C* could provide funding for **developmental uses of food aid,** that is, targeted nutritional support, including, but not limited to: nutritional supplementation for target populations through school feeding, therapeutic care, and HIV/AIDS treatments; nutritional and economic safety nets for chronically poor populations; food for work on a permanent or seasonal basis; and other uses defined as appropriate for building sustainable long-term food security (e.g., market development, agricultural development). A minimum annual tonnage commitment (shipped from the U.S.) and possibly a value-added requirement could be established. Whether a floor or cap on monetization should be established would require further analysis. Experience indicates that a significant share of Title C budgetary resources would need to be in the form of cash rather than commodity. Incentives to combine Title C food aid with other development assistance resources and to evaluate impact of the combined resources could be introduced.

3. Simplify administration. Separation of management responsibilities for implementation of programs in developing countries between USDA and USAID contributes to potential confusion in recipient developing countries. It also adds transaction costs for implementing organizations, especially if they are using multiple sources of funding/food aid for similar programs in the same country and need to maintain separate books and reporting processes for each.

- Greater coherence of programming at the country level and greater integration with non-food aid resources could be achieved if the Deputy Secretary of State for Foreign Assistance assumed responsibility for policy development and oversight with regard to Titles B and C food aid and for reporting on outcomes and impact in terms of improving nutrition and food security.

- The Commodity Credit Corporation could be responsible for managing the Bill Emerson Humanitarian Trust, whether reserves are held in the form of commodities, options to buy, or cash.
- The Director of USDA's Farm Service Agency and the Administrator of USAID could be charged jointly with operational planning for commodity procurement, coordination and collaboration with the U.S. agribusiness and shipping communities, and development and oversight of the list of eligible commodities.
- The Administrator of USAID could be responsible for all Title A emergency response planning (including preparation of supplemental funding requests if needed) and implementation and program implementation associated with all three Titles.

4. *Adjust operational requirements* with regard to value-added commodities, bagging in the United States, cargo preference, and Great Lakes preference. This could be a gradual process, using results of findings from independent reviews done by the Government Accountability Office and/or the Congressional Research Service. *A priori*, for example, issues of response time might indicate a need to exempt Title A shipments from bagging/value-added requirements and Great Lakes preferences. Alternatively, new cargo preference rules could be devised at the outset: in recognition of the fact that the Department of Defense does not consider U.S.-flag bulk carriers to be essential to national security (although the merchant marine personnel they employ are seen as important for security capability); to provide greater incentives for timely, quality service; and to be more consistent with other Maritime Security Program goals.

5. *Expand joint jurisdiction.* Given the objectives associated with the new food aid Titles, greater involvement of foreign affairs (authorization) and foreign operations (appropriations) interests could help to ensure more effective programming. Such joint responsibility is now only the case on the House side, where the Agriculture Committee and House International Relations (Foreign Affairs) Committee share jurisdiction in program authorization.

6. *Ensure that there will be learning from experience.* In undertaking such a significant revision of food aid policy and practice, legislators would no doubt be concerned to monitor its implementation closely and to ensure that adequate evidence regarding effectiveness and impact is collected and analyzed in time to permit review prior to future Farm Bills. A separate allocation of resources could ensure that databases essential for this analysis are established and maintained by the State Department, USDA, and USAID, with full participation and cooperation from the food aid implementing organizations (private voluntary organizations, other nongovernmental organizations, the World Food Program, and others).

Conclusion

With these six steps completed, U.S. food aid policy and programs would be heading in a new direction. Objectives would be clearer; the programs would reach more poor and hungry populations more reliably; and the organizations that are critical to effective and efficient programming would be more capable of providing that response. Food aid policy and programming could gradually be aligned and, ultimately, merged with our foreign policy and foreign assistance programs.