



International Food Aid and Food Assistance and the Next Farm Bill

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Role of US International Food Aid and Food Assistance

- Food aid is one response, but increasingly scarce resource
 - USG food aid fell 76% from 1960s through 2010s in real terms
 - Estimated 815 million undernourished individuals ... and growing
 - Record number of emergencies and refugee/IDP population
- US is the world's largest donor so US policy is key
 - More than 40% of all food aid in recent years is from US
- In the past two decades, as emergencies have become more common, USG has shifted focus for food aid:
 - Toward humanitarian emergencies and child nutrition – abandoning surplus disposal and trade promotion
 - Yet, program inefficiencies limit the reach of US food aid
- Recent Farm Bills and other legislation have relaxed several key statutory restrictions to improve int'l food assistance
 - Increased use of cash, vouchers and local/regional procurement
 - Increased complementary cash
 - Reduced open market monetization
 - Reduced cargo preference

Human consequences of restrictions are great

- Annual human cost of disasters is ~42 million life years, mostly in low- and middle-income countries ... and growing
- Nikulkov et al. (2016 PLOS ONE) estimate that eliminating the cargo preferences and requirements to procure food in the US could reduce child mortality in northern Kenya by 16% during severe drought episodes

US Food Aid and the Farm Bill

Three statutory restrictions continue to waste taxpayer money and come at great human cost:

1. Cargo preference rules that inflate shipping costs and delay deliveries
2. Limited access to cash-based food assistance programs
3. Procurement requirements that require commodities be purchased in the US

Cargo Preference Rule: Overview

- 50% of USG food aid must be carried by US-flagged vessels to their overseas destinations
- Goal: ensure US-flagged vessels' owners stay in business so that these ships and their trained crews are available to carry US military cargo in the event of broad-based military engagement overseas
- Food aid cargo preference requirement has been ineffective and is costly



U.S. food aid being unloaded from U.S.-flagged ship

Cargo Preference Rule: Evidence

- US flagged ships are older, smaller, and slower than foreign competitors
 - Today, US-flagged ships carry 1% of US foreign trade
 - Vessels controlled by 3 foreign shipping lines accounted for 45% of all food aid carried by US flagged vessels during 2012-2015
- Bottleneck is not the number of ships, but is the number of trained US mariners available for deployments (Mercier and Smith and GAO, both 2015)
- Recent estimates of cost of cargo preference is between \$40 and \$50 million / year (Mercier and Smith 2015) under 50% requirement
 - Cost has been borne entirely by food aid programs since 2015 when MARAD reimbursement requirements ended

Cargo Preference Rule: Recommendations

- 1) End cargo preference to allow scarce food aid resources to go further
 - Bulk of profits go to vessel owners, not to workers
 - Food aid cargo preference only accounts for about 15 percent of such shipments—remainder is military equipment and commercial products funded through Ex-Im Bank, OPIC
- 2) Develop alternative means to ensure availability of trained mariners so as to support deployment of merchant mariners in the case of an extended overseas military engagement
 - National Guard and Reserve model, including protection of their civilian positions while performing military service

Limited cash-based programming: Overview

- Cash is needed for administrative, distribution and storage costs
 - Section 202(e) provides cash for non-commodity resources
 - Monetization – the sale of US food aid in recipient or neighboring markets – also provides cash
 - 1996 Farm Bill set a 15% minimum for the volume of non-emergency food aid that must be monetized
- 2014 Farm Bill: raised share of Title II resources - from 13% to 20% - that can be used as cash for non-commodity costs under Section 202(e), which can cover development activities previously funded through monetization

Limited cash-based programming: Evidence

- Monetization tends to be wasteful
 - Return on monetization tends to be 70-75 cents / dollar
 - USDA Food for Progress: 58 cents / dollar (GAO 2011)
 - Up to \$70 million lost annually due to monetization (GAO 2011)
- Monetization can destabilize commodity prices in local markets in recipient countries (Garg et al. 2013)
- Following 2014 Farm Bill expansion of 202(e), there has been a sharp (90%) reduction in monetization for Title II projects

Limited cash-based programming: Recommendations

- 1) Reduce or eliminate the statutory minimum on monetization
- 2) Maintain or expand current share of funds from Section 202(e)
 - This was perhaps the most impactful food aid reform of 2014 Farm Bill



Relax domestic procurement requirements: Overview

- Ever since 2004 Indian Ocean tsunami, substantial evidence that cash, vouchers, and locally and regionally procured (LRP) food are cheaper, faster and preferred by recipients than US-sourced food aid
- 2002 Farm Bill: introduced prepositioning of food aid
- 2008 Farm Bill: funded a \$60 million LRP pilot project
 - Funds were authorized for LRP under the 2014 Farm Bill, but no funds were appropriated in 2014 – 2016 so program doesn't operate
- Complementary programs:
 - Emergency Food Security Program , funded through International Disaster Assistance and Overseas Contingency Operations Accounts, has grown from \$244 million in FY2010 to \$1Billion in FY 2015 (Schnepf 2016)
 - In 2008 Bill Emerson Humanitarian Trust moved to holding cash rather than commodities, providing more flexible response for unanticipated crises

Relax domestic procurement requirements: Evidence

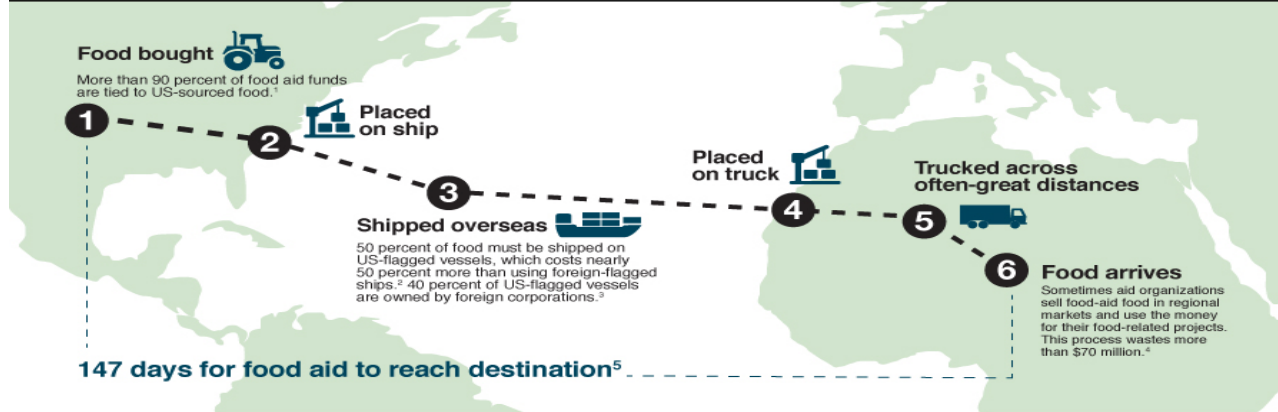
- The right resource can save time and money
- Resource must be appropriate for local situation and objectives of the program
 - Cash and vouchers tend to be cheapest and fastest
 - Transoceanic food aid is slowest, especially if delayed by CP constraint
 - Prepositioning is faster than transoceanic food aid, but more costly —estimated at \$56/ton
 - LRP is faster than transoceanic food aid, and often cheaper. But not always (e.g., vegetable oil to Latin America).



Food Aid Folly

The current rules for providing food aid waste resources at every step.

HOW IT WORKS NOW



HOW IT COULD WORK



By locally and regionally sourcing food aid, along with other reforms, the US would save \$400 million a year that could help feed at least four million more people in dire need.⁷



Sources: 1. Erin C. Lantz and Christopher B. Barrett, "The Negligible Welfare Effects of the International Food Aid Provisions in the 2014 Farm Bill," *Choices* (3rd Quarter 2014). 2. Elizabeth R. Bageant, Christopher B. Barrett, and Erin C. Lantz, "Food Aid and Cargo Preference," *Applied Economic Perspectives and Policy* 4 (2010): 624–41. 3. Kenneth Burton, Wayne Ferris, and Phillip Thomas, *The Political Economy of Shipping Food Aid under the Cargo Preference Regime*, School of Public Policy, George Mason University, MS-381, 2015. 4. US Government Accountability Office, "International Food Assistance: Local and Regional Procurement Can Enhance the Efficiency of US Food Aid, but Challenges May Constrain Its Implementation," GAO-09-375, 2009, p. 10d, 6, 10d. 7. See US Agency for International Development, "Food Aid Reform: Behind the Numbers," 2015, www.usaid.gov/foodaidreform/behind-the-numbers; Erin C. Lantz, Simone Passarelli, and Christopher B. Barrett, "The Timeliness and Cost-Effectiveness of the Local and Regional Procurement of Food Aid," *World Development* 49 (2013): 9–18; Vincent Smith, "American Food Aid: Why Reform Matters," testimony before US Senate Foreign Relations Committee, April 15, 2015, www.foreign.senate.gov/imo/media/doc/041515_Smith_Testimony.pdf; and Stephanie Merzler, "American Food Aid: Why Reform Matters," testimony before US Senate Foreign Relations Committee, April 15, 2015, www.foreign.senate.gov/imo/media/doc/041515_Merzler_Testimony.pdf.

Relax domestic procurement requirements: Recommendations

1) Reduce the 100% US sourcing requirement

- “Untying” US food aid would be the single most effective reform
- Canadian food assistance dollars are untied and go twice as far as US food assistance dollars (Lentz and Barrett 2014) b/c US spends more on shipping and handling than on food
- Could reach an additional 4 to 10 million people at no additional cost (Elliot and McKitterick 2013)

2) Allow 21st century food assistance instruments (cash, vouchers and LRP) within Title II

- Keep principle: need flexibility to meet specific needs in a given humanitarian response context (conflict, infrastructure, inflation, nutritional needs and dietary preferences, etc.)

3) Directly appropriate funds for LRP and expand its size

Conclusions

- US international food aid and food assistance programs are an important symbol of Americans' commitment to help those in need. But US programs can do better at same cost.
- Removing the statutory restrictions will allow the USG to employ current best practices, stop the waste of US taxpayer dollars, and reach more people, saving lives and livelihoods.
 - The \$350-400 mn/yr now wasted costs ~ 3mn child life years.
 - As many as 40,000 avoidable child deaths for ~400 mariner jobs affected.
- Series of myths perpetuate the waste in these programs:
 - Cargo preference requirements advance military readiness and support employment for trained mariners who might need to be deployed
 - Food aid purchases help American farmers
 - Purchasing food aid abroad compromises food quality and safety
 - Cash based programs are more vulnerable to theft and diversion
- Careful research finds these myths unfounded.
- We must update the debate and promote best use of a scarce resource that saves lives.

Thanks for your time
Questions?

