



# **International Food Aid and Food Assistance and the Next Farm Bill**

**Erin C. Lentz  
Stephanie Mercier  
Christopher B. Barrett**

**Presented at the American Enterprise Institute Washington, DC  
October 19, 2017**

# 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

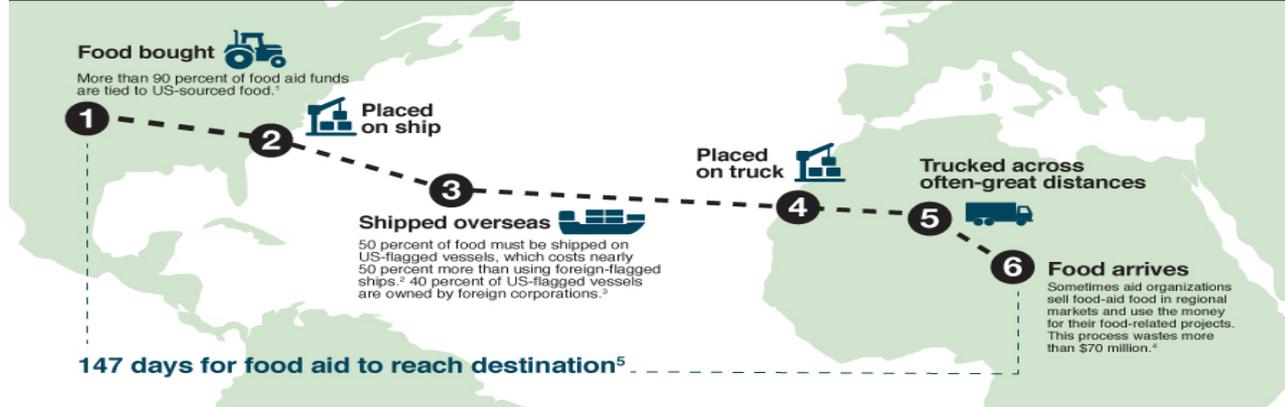
- The right resource can save time and money
- Resource must be appropriate for local situation and objectives of the program
  - Cash and vouchers tend to be cheapest and fastest
  - Transoceanic food aid is slowest, especially if delayed by CP constraint
  - Prepositioning is faster than transoceanic 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.<sup>7</sup>



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. Bagaant, 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](http://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](http://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](http://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 21<sup>st</sup> 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?

