

A photograph of two women sitting on the ground in front of a tent. The woman on the left is wearing a red headscarf and a patterned shawl, and is eating. The woman on the right is wearing a colorful headscarf and a patterned dress, and is holding something in her hands. The background is a simple tent structure with ropes and a light-colored wall.

# **Global Hunger, Trade and North American Food Aid: What Has Changed and What Still Needs to Change**

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# **Food aid in support of MDG #1**

## **United Nations Millennium Development Goal #1:**

**Reduce by half the proportion of people (i) living on less than a dollar a day and (ii) who suffer from hunger.**

### **What role for food aid?**

- Save lives
- Fulfill human right to food
- Protect assets (especially human health)
- Facilitate productivity and asset growth where food availability and poor market performance are limiting.

**Food aid is a complement to other resources.**

**Need to embed food aid in dev't strategy, not fit development strategies to food aid policies.**

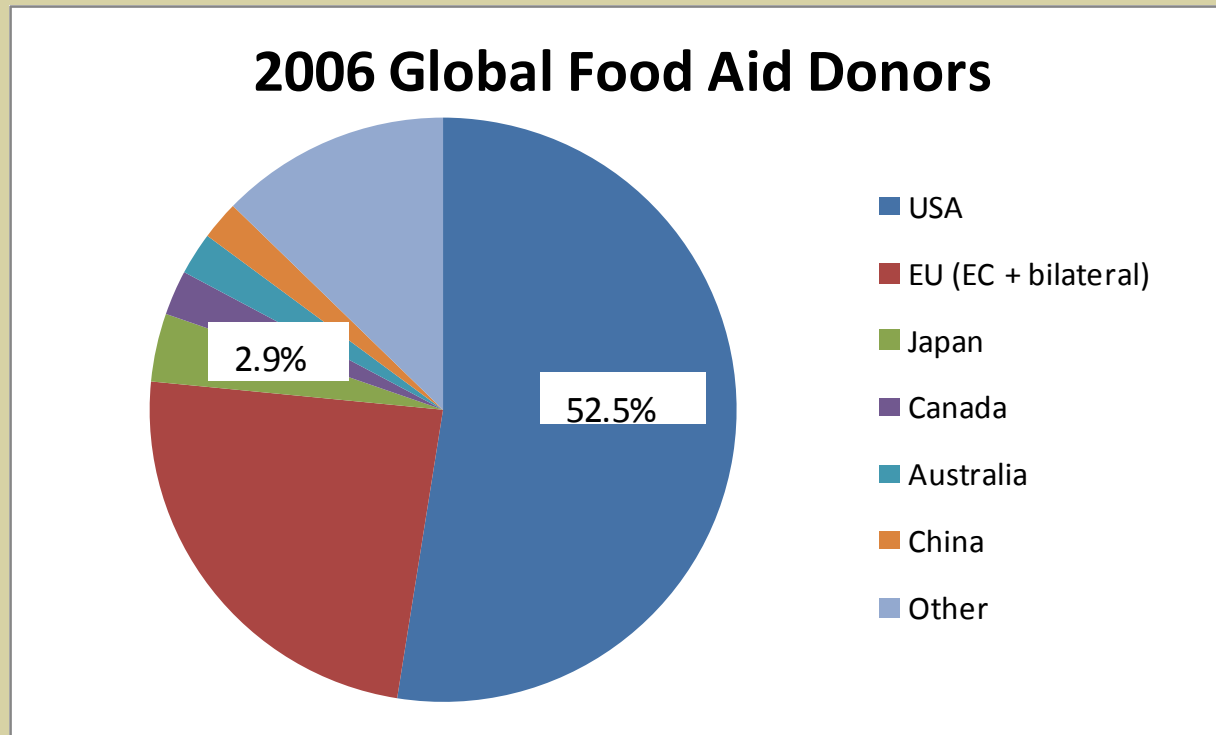
# Food aid in support of MDG #1

## Yet food aid's effectiveness in advancing MDG #1 depends on:

- Whether it is *focused on this goal*. Given a tight budget constraint, need to use resource efficiently. Tinbergen Principle.
- How it is managed by operational agencies:
  - Efficacy of targeting and timing
  - Whether it creates net disincentive effects that trade long-term losses for short-term gains
  - Procurement and supply chain management
  - Whether food is the right resource for a given problem

# Background

US still accounts for 50-60% of total food aid worldwide each year. Canada, which accounted for 15-25% of global food aid in the 1960s, remains 4<sup>th</sup> largest provider, but now less than 5%. North American – mainly US – food aid policy continues to underpin global food aid system.



# Background

Much has changed since modern food aid began with the enactment of PL480 in the US in 1954, even since the 1990 Farm Bill, the last major reform of U.S. food aid.

Yet contemporary policy debates often become derailed by failures to appreciate the significant changes that have already occurred.

# Background

## 1954-1990:

- Generous farm price supports and gov't held stocks
- Large regions outside North American cereals marketshed
- Hunger widespread globally initially
- Cold War: flowed initially to Asia, Latin America, Europe and north Africa

PL 480 was a direct response to these conditions and succeeded in meeting some of the resulting goals.

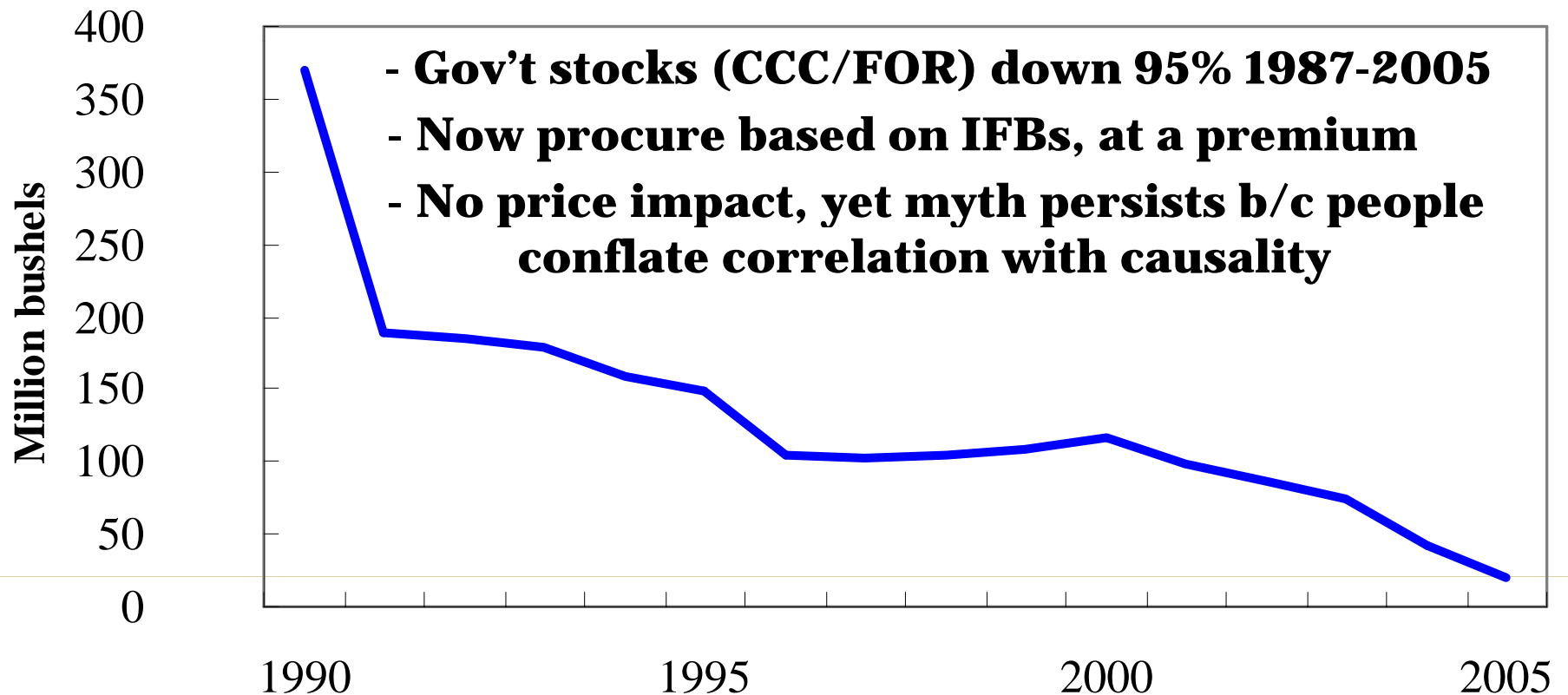
Times have changed.

# What Has Changed

## 1. Price Supports and Gov't Grain Stocks History:

### Government year-end wheat stocks

(Three-year centered moving average)



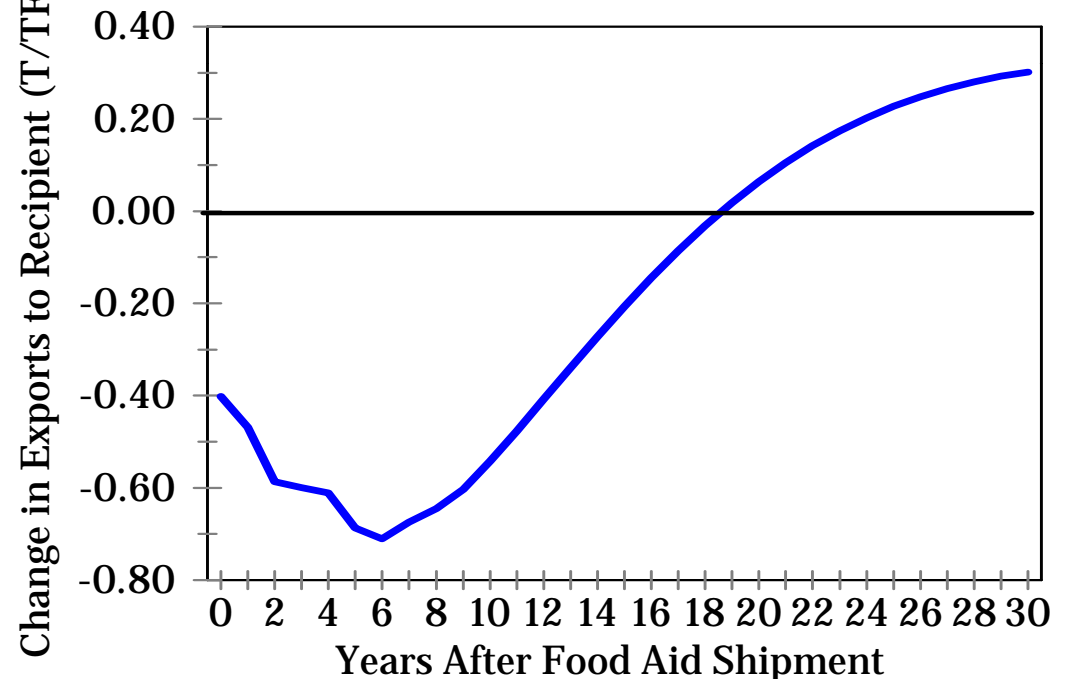
Data source: USDA Economic Research Service

# What Has Changed

## 2. Ineffective Tool for Trade Promotion:

- Trade promotion hypothesis in 1954
- Empty claims about stimulating later ag exports growth

**Commercial Aid Impacts of Food Aid**  
(Impulse Response Function Estimates)



Source: Barrett et al., *Economic Inquiry* (1999)



# What Has Changed

## 2. Ineffective Tool for Trade Promotion (continued):

- **Not only fails to grow donor exports, disrupts markets at margin, esp. 3<sup>rd</sup> party commercial agricultural exports**
- **Trade disrupting effect is most serious for the least well targeted food aid (program and monetized project).**
- **Because the poor depend heavily on markets for food, policies that disrupt markets undermine food security, not just trade.**

# What Has Changed

## 3. The Cold War Is Over :

- **Diplomatic challenges now quite different.**
- **Beyond fulfilling human rights (1948 Universal Declaration of Human Rights and 1966 International Covenant on Economic, Social and Cultural Rights), no evidence it works.**
- **Geopolitical impact?**  
**Top 1960 recipients: India, Poland, Egypt, Pakistan, Brazil**  
**Top 2000 recipients: North Korea, Ethiopia, Bangladesh, Kenya and Russia**
- **Primary criteria now are humanitarian: most food aid flows in response to emergencies and most now goes to Africa (70-80% of US food aid)**

# What Has Changed

## 4. Alternative Means of Supporting US Merchant Marine:

- **1954 Cargo Preference Act to support merchant marine for national security purposes ... share increased 50-75% in 1985**
- **Impact: higher freight costs. 65% of FY2006 food aid program expenditures were on freight, storage and admin**
- **CP premia were ~69-78% in early 1990s-2000, still 47% in 2005 ... yet merchant marine continued to shrink**
- **Small # carriers: 13 bidders, 5 received >50% freight. Major ones are not even US owned corporations**
- **Yet CP only 5-15% US flagged ships' cargoes and >3/4 US-owned ships flagged outside US today ... FA too small to make a difference in overall viability of merchant marine.**
- **Maritime Security Program (1996) provides \$2.1/ship-year ... w/some legal double dipping (CP and MSP)**

# What Has Changed

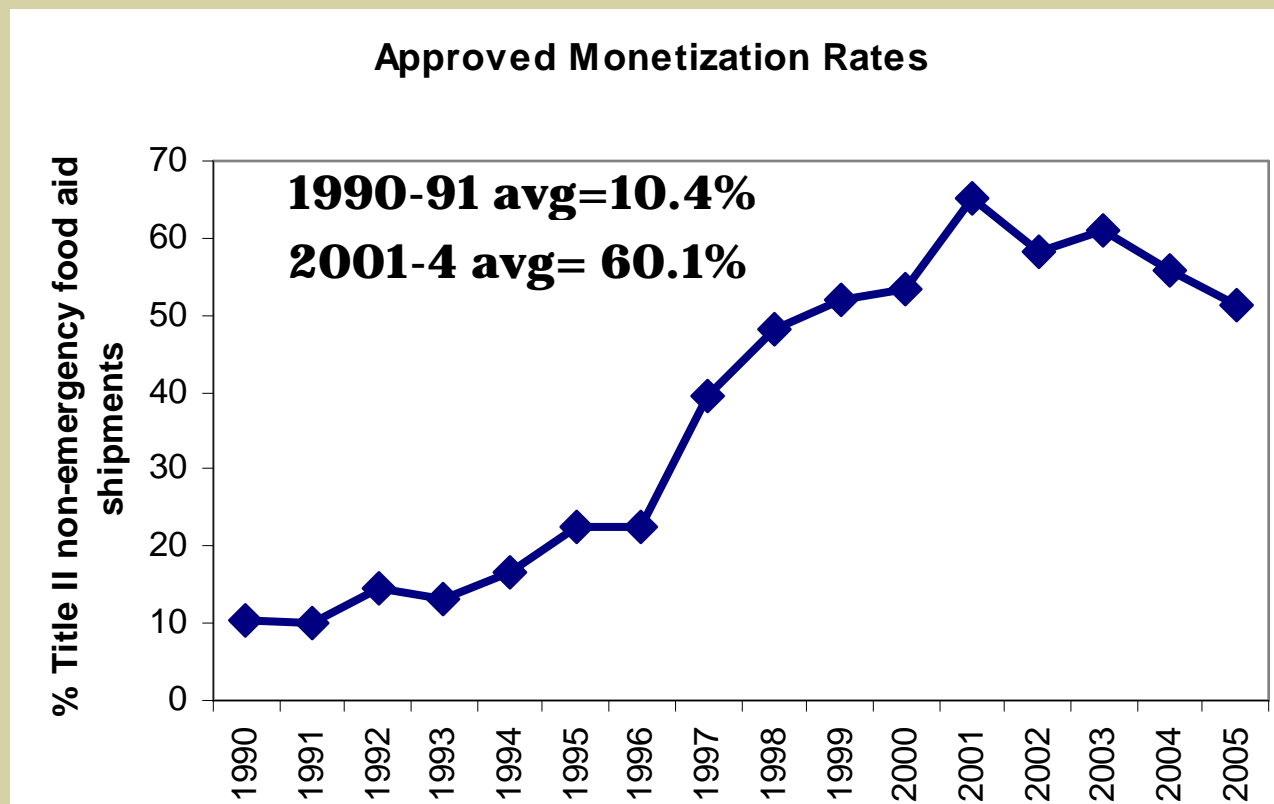
## 5. Shift From Program to Emergency Food Aid:

- **Until 1992, most US food aid was “program” – govt-to-govt concessional sales on credit: Title I and Section 416(b)**
- **Now mainly to NGOs (43%) and WFP/IEFR (35%) for emergency response (80% of Title II now emergency)**
  
- **Title I down 93% in real terms. 1980-2005 (62.6% to 6.6%)**
- **Title II up 43% in real terms, 1980-2005 (34.4% to 77.7%)**
- **Title II has shifted from 51% non-emergency in 2001 to only 21% non-emergency in 2005**
  
- **Bill Emerson Humanitarian Trust: used only 3 times each decade, 1980s and 1990s ... used 6 times since June 2002 ... increasing, underappropriated emergency food aid needs.**

# What Has Changed

## 6. Relief Traps and Reduced Cash Resources for Devt:

- **Insufficient resources for non-emergency development programming makes it difficult to prevent new emergencies and to limit their adverse impact when they do occur.**
- **Insufficient cash resources to meet needs: distorts NGO behavior ... monetization is the result**



# What Has Changed

## 7. Canada and Other Donors Have Reformed Food Aid :

- **Budget integration:** in Canada, EU and other key donor countries other than the US, food aid moved within international development budgets and out of farm policy and agriculture budgets. This enables allocation based on humanitarian and development criteria.
- **Untying:** In most of the EU, the untying of food aid has been, in principle, complete. Cash is commonly provided instead of commodities and recipients can source from anywhere. In Australia and Canada, partial but substantial untying so that domestic sourcing not a serious constraint any longer.

**Example:** when Denmark decoupled, replacing cheese and canned meat food aid with bulk grain, wheat flour, peas and vegetable oil, it generated 6x calories and 3x protein at lower cost, from 1990-1997.

**Exception:** US has neither budget integration nor untying.

# What Still Needs To Change?

## **1. Recasting Food Aid In Support of MDG #1:**

- **Of 6.2 bn people, 1.3 bn live on <\$1/day, 2.9bn live on <\$2/day and 5.4 bn live on <\$10/day. MDG goal #1 commits to reducing by half by 2015 the proportion of people in hunger and living on less than \$1/day. Even this very narrow task is daunting ... thus need to focus.**
- **Food aid plays a role, but underperforms because of other goals (for which it is ill-suited and ineffective).**
- **Make global food security the sole objective of food aid, enshrined in donor country law, WTO, FAC, etc.**

# What Still Needs To Change?

## 2. The Golden Hour and Partial Untying of Procurement:

- **Golden Hour principle: rapid response essential**
- **Proposal for partial untying of US food aid procurement, permitting “local and regional purchases” for faster response (139 days median delivery time for US emergency food aid)**
- **Revise Food Aid Convention accounting methods to reward timely deliveries**
- **Increased use of index-based risk finance instruments (weather/area-based yield insurance, cat bonds, etc.)**
- **Delays are expensive and deadly (2004-5 Niger example).**



# **What Still Needs To Change?**

## **3. Decouple Humanitarian Response from Agribusiness, Maritime and NGO Support Programs:**

- **Maritime Security Program (MSP) is a cleaner mechanism for supporting merchant marine**
- **Due largely to cargo preference provisions, only 40% of US food aid budget goes to commodities, vs. 70% of Canada's.**
- **The \$650 mn “hard earmark” for non-emergency food aid ... A “risky box” as it imperils emergency food aid availability and would force a sharp increase in monetization.**

# What Still Needs To Change?

## 4. Restored/Expanded Cash for Food Security Programs:

- **Ex post response is expensive and food is an expensive means to provide cash (via monetization). Need cash ex ante, including as a complement in food aid programs (202e).**
- **Expanded funding is feasible ... US foreign aid flows are up nearly 70% since 2000. It's just going other places as other constituencies (pharma, GM, etc.) have outcompeted the food security community.**
- **Reduce reliance on supplemental appropriations: 5 of past 6 years, averaging >20% total food aid budget.**
- **Simplify/fix Emerson Humanitarian Trust – cash not grain**

# What Still Needs To Change?

## 5. Program Consolidation/ Budget Integration:

- **Especially if US food aid programs are formally focused solely on humanitarian and development objectives, bring all programs under USAID and foreign relations/development.**
- **Bureaucratic duplication between USDA and USAID is costly and unnecessary and invites criticism and skepticism (e.g., in WTO).**

# What Still Needs To Change?

## 6. Viable Food Aid Governance:

- **Food Aid Convention and FAO/CSSD ineffective – need to revise membership, accounting and adopt codes of conduct**
- **Global Food Aid Compact proposal to use credible enforcement mechanisms under WTO and existing technical expertise within FAO, OECD and WFP to monitor food aid flows under the principle that food security is a global goal of equal standing with free and fair trade**
- **Precedent in WTO Sanitary and Phytosanitary Agreement of 1994, which permits some modest disruption of trade in the interest of assuring animal, plant and human health. If food *safety* offers justification, so does food *security*.**

# Conclusion

**Much has changed ... need for further reforms since the environment is now so different. Canadian leadership could help foster US policy reforms.**

**Food aid remains an important policy instrument, but for markedly different reasons than in mid-1950s, even than in 1990, when last seriously revisited in Farm Bill debates.**

**Improving awareness of changed landscape will help build the coalitions necessary for further change.**

**Thank you for your time, attention and comments!**



**Christopher B. Barrett and Daniel G. Maxwell, *Food Aid After Fifty Years: Recasting Its Role* (London: Routledge, 2005)**