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**Testimony before the United States Senate Committee on Foreign Relations
Hearing on “Modernizing the Food for Peace Program”#**

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Chairman Corker, Ranking Member Cardin, and Honorable Senators on the Committee:

Thank you for the opportunity to testify today and to summarize what the best recent research tells us about current United States international food aid and food assistance policies and the ways in which the United States Government (USG) might more effectively use those policies and resources to address global food insecurity. My name is Chris Barrett. I am a Professor at Cornell University and have studied United States (US) and global food aid policies for more than 20 years, including publishing more than two dozen peer-reviewed journal articles and three books on the topic.¹

US food aid and international food assistance is crucial to address the real humanitarian crises gripping the globe today. It offers a highly visible symbol of Americans’ commitment to feed the world’s hungry. But we can do much better.

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In addition to the works cited directly, this testimony draws significantly on Erin C. Lentz, Stephanie Mercier, Christopher B. Barrett (2017), *International Food Aid and Food Assistance Programs and the Next Farm Bill* (Washington: American Enterprise Institute), Christopher B. Barrett and Erin C. Lentz (2017), “How to Feed More People Worldwide,” *US News & World Report*, June 30, 2017; and my testimony before the United States House Committee on Foreign Affairs, October 7, 2015.

¹ Christopher B. Barrett and Daniel G. Maxwell (2005), *Food Aid After Fifty Years: Recasting Its Role* (London: Routledge); Christopher B. Barrett, Andrea Binder and Julia Steets, editors (2011), *Uniting on Food Assistance: The Case for Transatlantic Cooperation* (London: Routledge); Christopher B. Barrett, editor (2013), *Food Security and Sociopolitical Stability* (Oxford: Oxford University Press).

The credible research on food aid is clear and consistent in finding that restrictions imposed on how US international food aid programs procure and deliver commodities waste taxpayer money at great human cost. Ending two restrictions - (1) cargo preference restrictions, and (2) domestic procurement restrictions - can help generate more funds for US food aid programs, saving lives without increasing taxpayer costs.

US food aid programs have played a crucial role in saving and improving lives worldwide for more than two hundred years.² Nonetheless, relative to the reformed food assistance programs operated by other countries and by private voluntary organizations (PVOs) using private donations, the non-food costs of US food aid are excessive, delivery is slow, and the programs have not kept pace with global emergency needs. And there is no hard evidence of significant benefits to American agriculture, maritime employment or military readiness. No debate remains among serious scholars who have studied the issue: the Food for Peace (FFP) program is overdue for reforms to promote most cost-effective fulfillment of its mission, as are the smaller programs run by the U.S. Department of Agriculture.

The primary mission of the FFP program, as amended by Congress most recently in 2014, is to “(1) address famine and food crises, and respond to emergency food needs, arising from man-made and natural disasters; (2) combat malnutrition, especially in children and mothers; (3) carry out activities that attempt to alleviate the causes of hunger, mortality and morbidity.”³

Sadly, the need for international food assistance to accomplish that mission is growing. The estimated number of undernourished people in the world increased this year to 815 million.⁴ And billions – including half the world’s children ages six months to five years – suffer mineral and vitamin deficiencies that harm their health and cognitive development, often irreversibly.⁵ Disasters occur with great and increasing frequency than ever before and cost an estimated 42

² As recounted in Barry Riley (2017), *The Political History of American Food Aid* (Oxford: Oxford University Press), the first Congressional authorization of US food shipments for disaster response occurred in 1812 in response to an earthquake in Venezuela.

³ Food for Peace Act, as Amended through P.L. 113–79, Enacted February 07, 2014, SEC. 201. [7 U.S.C. 1721] reads “The President shall establish a program ... to provide agricultural commodities to foreign countries on behalf of the people of the United States to (1) address famine and food crises, and respond to emergency food needs, arising from man-made and natural disasters; (2) combat malnutrition, especially in children and mothers; (3) carry out activities that attempt to alleviate the causes of hunger, mortality and morbidity; (4) promote economic and community development; (5) promote food security and support sound environmental practices; (6) carry out feeding programs.”

⁴ Food and Agriculture Organization of the United Nations, *The State of Food Security and Nutrition in the World 2017* (Rome: FAO).

⁵ *Investing in the future: A united call to action on vitamin and mineral deficiencies. Global Report 2009* (Ottawa: The Micronutrient Initiative). Christopher B. Barrett and Leah E.M. Bevis (2015), “The Micronutrient Deficiencies Challenge in African Food Systems,” in David E. Sahn, editor, *The Fight Against Hunger and Malnutrition: The Role of Food, Agriculture, and Targeted Policies* (New York: Oxford University Press).

million human life years annually, mostly in low- and middle-income countries.⁶ For the first time ever, in 2017 the United Nations declared four nations—Nigeria, Somalia, South Sudan, and Yemen—in famine or near-famine conditions and proclaimed it “the largest humanitarian crisis” since the UN’s creation in 1945. The confluence of conflict and natural disasters has driven the number of refugees and displaced persons worldwide to the highest on record, with hunger a leading cause of forced migration.⁷

Although the need is growing, budgetary resources have shrunk over time. The USG spends roughly \$2.5 billion annually, on average, on international food assistance programs.⁸ But this represents a 76 percent decline in inflation-adjusted terms from the 1960s.⁹ As a result, the agencies that provide frontline humanitarian response are chronically underfunded relative to the emergency needs they address on our behalf. These shortfalls compromise responsiveness and too frequently necessitate reductions in already-meager food rations provided to refugees in multiple countries.¹⁰ With food aid funding scarcer, and needs greater, we must get smarter in how we use these resources.

Congress should take two main actions to enhance the cost-effective use of increasingly scarce international food aid and food assistance resources to meet the FFP mission: (1) relax or eliminate cargo preference restrictions on shipments of agricultural commodities procured in the US for FFP and other food aid programs, and (2) relax the restrictions that compel commodity purchase in the US. The US alone among major humanitarian donors has these wasteful requirements. The myth is that these statutory restrictions generate benefits in the form of enhanced military readiness or significant gains for farmers or mariners. They don’t. The reality is that they cost lives needlessly.

Cargo preference restrictions

One key statutory restriction arises from cargo preference laws concerning the procurement of ocean freight services for shipping food aid commodities to recipients abroad. By law, at least 50% of US food aid must be shipped on US flagged vessels, even if those vessels’ costs are higher than foreign competitors.¹¹ This policy, like most anti-competition regulatory

⁶ United Nations Office for Disaster Risk Reduction (2015). *Making Development Sustainable: The Future of Disaster Risk Management. Global Assessment Report on Disaster Risk Reduction* (Geneva: UNISDR).

⁷ World Food Programme (2017), *At the root of exodus: Food security, conflict and international migration* (Rome: WFP).

⁸ Randy Schnepf, *U.S. International Food Aid Programs: Background and Issues*, Congressional Research Service, September 14, 2016.

⁹ Schnepf (2016).

¹⁰ United Nations High Commissioner for Refugees (2015), *World At War: Global Trends, Forced Displacement in 2014* (Geneva: UNHCR).

¹¹ In order to carry US food aid under the cargo preference provision, a vessel must have been registered under the US flag for at least three years, be owned by a US-based company, and employ crew members who are all US citizens.

restrictions, drives up costs and causes delays. Those predictable consequences recently compelled the White House to temporarily suspend the comparable Jones Act provision – which restricts ocean freight carried between US ports to US-flagged vessels, much as cargo preference does for shipments abroad – so as to reduce delays and costs in delivering emergency supplies to Puerto Rico following Hurricane Maria.¹²

The costs of cargo preference are considerable. A raft of recent studies has consistently found that cargo preference inflates ocean freight costs by 23-46% relative to open market freight rates.¹³ USAID and USDA are no longer reimbursed for any of these excess costs. As a result, roughly \$40-50 million of taxpayer money, appropriated each year to feed starving children, gets diverted to windfall profits to (mainly foreign-owned) shipping lines (on which, more below).

The special interests that defend cargo preference claim it advances military readiness. But that myth has been conclusively exploded by multiple careful recent studies that find the overwhelming majority of the agricultural cargo preference fleet is out-of-date and fails to satisfy the Department of Defense (DOD) standards of militarily usefulness.¹⁴ That is why the Congress enacted the Maritime Security Program (MSP) in 1996, in order to provide DOD with an effective call option on approximately 60 privately-owned vessels and 2,400 deepwater mariners that meet military sealift requirements. Militarily useful vessels enrolled in MSP received nearly \$5 million per year. Even so, the MSP program has been underutilized over the past 16 years' intense military engagement overseas. Indeed, the government-owned Ready Reserve Fleet (RRF) and the MSP fleet have never been fully activated.¹⁵

The historical record and abundant research has demonstrated conclusively that cargo preference does little to buttress military readiness. Militarily useful MSP ships carried only 18 percent of all food aid preference cargo between 2011 and 2013.¹⁶ Most of the remainder was carried by non-MSP, US-flagged vessels deemed not militarily useful because of their age, size, or vessel type. In 60-plus years of cargo preference, not once has the Department of Defense mobilized a mariner or vessel from the non-MSP cargo preference fleet despite a dozen or more foreign campaigns by the US military, several of them – like Vietnam, Iraq and Afghanistan –

¹² The Jones Act imposes the same basic restrictions as cargo preference with the important, added requirement that the ship was built in a US shipyard.

¹³ Elizabeth R. Bageant, Christopher B. Barrett and Erin C. Lentz (2010), "Food Aid and Agricultural Cargo Preference," *Applied Economic Perspectives and Policy* 32(4): 624-641; Phillip J. Thomas and Wayne H. Ferris (2015), *Food Aid Reforms Will Not Significantly Affect Shipping Industry or Surge Fleet*, George Mason University report; US Government Accountability Office (2015), *International Food Assistance: Cargo Preference Increases Food Aid Shipping Costs, and Benefits Are Unclear*, GAO 15-666; Stephanie Mercier and Vincent Smith (2015), *Military Readiness and Food Aid Cargo Preference: Many Costs and Few Benefits* (Washington: American Enterprise Institute)

¹⁴ Bageant et al. (2010), Thomas and Ferris (2015), GAO (2015), Mercier and Smith (2015).

¹⁵ GAO (2015).

¹⁶ Thomas and Ferris (2015).

sustained and intense. MSP and RRF provide a far more effective and efficient means of ensuring adequate military sealift capacity than a cargo preference system that mainly rewards the (largely foreign) owners of non-militarily useful ships that sail under a US flag expressly to tap the profits generated by anti-competition regulatory restrictions. This explains the clear support in recent years from DOD and the Department of Homeland Security for food aid reforms.¹⁷

Cargo preference advocates also advance specious claims that cargo preference preserves an American fleet and generates valuable employment effects. These claims simply do not stand up to scrutiny. Cargo preference, of which food aid comprises only 11%,¹⁸ has not stemmed the long-term decline of the US-flagged civilian fleet, which, due to a variety of factors, is no longer cost competitive with foreign commercial shipping capacity. The daily operating costs of US-flagged ships average 270 percent more than comparable foreign vessels partly because, in general, US-flagged ships are older, smaller, and slower than foreign competitors.¹⁹ In 1955, the first full year following the Cargo Preference Act of 1954, US-flagged ships carried 25 percent of US foreign trade; today, that share has plummeted to 1 percent. The size of the fleet in terms of vessels has also declined substantially over the same period, from 1,075 vessels in 1995 to 175 in December 2016.²⁰ These declines have been steady, occurring even during periods when food aid volumes increased and when cargo preference increased from 50 to 75 percent of food aid shipments. Moreover, this decline has occurred in spite of rapid expansion in commercial international trade through US ports. Insufficient demand for ocean freight service is not a significant reason for a declining US-flagged fleet.

Had cargo preference sustained the fleet and mariner jobs, then the 2012 reforms that reduced cargo preference coverage from 75% to 50% would have had a measurable effect. But they didn't. Not a single vessel appears to have ceased ocean freight service nor a single mariner job ended when the statutory minimum for cargo preference rolled back to its 1954-86 level.

One reason for the lack of discernible effect is that few US ports handle food aid, and even among those that do, food aid commodities matter little. Food aid represents less than 3 percent of the export volume of any single port in the country, and less than 0.3 percent on average nationwide. Even in the Louisiana-Texas Gulf ports region that accounted for more than 84% of US food aid shipments in FY2016, food aid shipments represent less than 1% (0.95%, to be

¹⁷ US Department of Homeland Security April 17, 2014 letter (<http://www.scribd.com/doc/220264499/DHS-Coast-Guard-Letter>, accessed October 15, 2017); Undersecretary of Defense letter dated June 18, 2013 (<https://www.documentcloud.org/documents/814075-pentagon-letter-on-food-aid-reform.html>, accessed October 15, 2017).

¹⁸ Lentz, Mercier and Barrett (2017).

¹⁹ Lentz, Mercier and Barrett (2017), drawing on MARAD data.

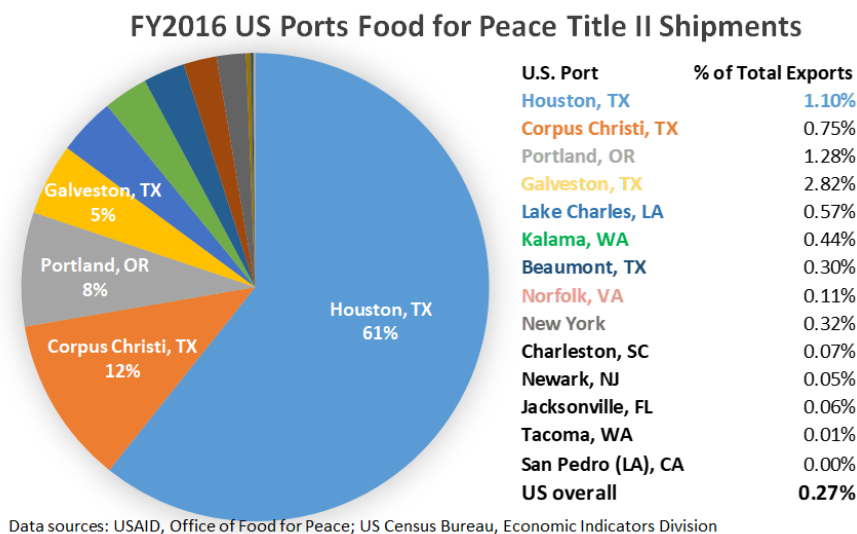
²⁰ US Department of Transportation, US Maritime Administration(2016), "U.S. Flag Privately Owned Merchant Fleet, 1946-Present," <https://www.marad.dot.gov/wp-content/uploads/pdf/US-Fleet-Summary-Table-1946-2016.pdf>

precise) of total export volumes. Outside of those Gulf ports, food aid shipments represent just 0.06% of total exports volumes.²¹ Food aid shipments are just a drop in the ocean for the shipping business overall, having no discernible effect on employment in port regions or in the maritime sector.

Likewise, the US Coast Guard estimates availability for a surge fleet of nearly 55,000 mariners.²² In 2013, the then-Under Secretary of Defense estimated that reforms to food aid programs that would reduce food aid commodity shipments from the US would affect, at most, only 8–11 US-flagged vessels, employing between 360 and 495 mariners, or less than 1 percent of the surge fleet crew.²³ And each of these few jobs comes at a taxpayer cost of about \$100,000 to the FFP program.²⁴

Cargo preference matters economically, but not for port regions or mariners, rather only for a very small number of owners of bulk and break bulk ships with limited alternative, commercial uses. USAID data show that in FY2016, 13 vessels from just 3 companies – Liberty Maritime, Maerk, and Sealift – accounted for more than 83 percent of food aid cargo preference volumes. That sort of concentration would excite anti-trust concerns in most sectors of the economy. Predictably, insufficient competition increases prices. The anti-competitive restrictions of the cargo preference law generate windfall gains to ship owners whose vessels work almost

²¹ The figures in this paragraph are the author’s calculations based on USAID and US Census Bureau data for fiscal year 2016. The aggregate shipment volumes for nearby towns into a port region; for example, Houston includes Jacinto. The pie chart on the left shows the distribution of food aid export volumes from US ports. The table on the right reports, for each port, the food aid share of total merchandise exports.



²² US Government Accountability Office (2015).

²³ Kendall (2013), see note 16.

²⁴ Bageant et al. (2010).

exclusively for this form of freight, not to workers who have alternate employment options on the more than 38,000 US flagged coastal freight vessels operating under the Jones Act.^{25,26}

Furthermore, many cargo preference vessels are ultimately owned by foreign corporations. Vessels owned by just three foreign shipping lines that control US subsidiaries – the A.P. Moller-Maersk Group from Denmark, Neptune-Orient Lines from Singapore, and Hapag-Lloyd of Germany – accounted for 45% of all food aid carried by US flagged ships from 2012 through mid-2015.²⁷ So many of the profiteers from anti-competitive statutory restrictions on US food aid are not even American companies.

Domestic procurement restrictions

The second major statutory restriction that Congress should relax concerns domestic procurement. The Food For Peace Act (FFPA), first authorized in 1954, required all agricultural commodities must be bought in the United States and shipped to recipients abroad. That restriction perhaps made sense in 1954, when the US government ran generous grain price support programs that resulted in massive government held surpluses that were cheaper to dispose of abroad than to store. But a succession of Farm Bills from 1985 to 1996 largely unwound those programs, so that today the government rarely holds large commodity stocks and the resulting surplus disposal purpose no longer applies. The government now purchases commodities on domestic markets to ship abroad. Buying commodities in the U.S. dramatically slows down delivery of food aid and costs more.

In the initial decades of the FFP program, the delays mattered little because most food aid went to long-term development assistance. Today, the overwhelming majority supports emergency relief, where timeliness is crucial to effectiveness. The considerable delays that arise due to buying in and shipping from the US cost lives and tarnish American global leadership in humanitarian response.

The most efficient way to help hungry people abroad access food is typically to provide them with cash or electronic transfers, or with food purchased locally or regionally, so-called LRP (for local and regional procurement). This common sense practice is now global best practice employed by all major donors' food aid programs, *except the United States*. The peer-reviewed scientific evidence shows very clearly that, far more often than not, LRP and cash or electronic transfers save time, money and lives, while providing foods that are equally healthy and safe and are preferred by recipients over commodities shipped from the US.²⁸ For example, a nine-

²⁵ Maritime Administration estimate: <http://www.marad.dot.gov/ships-and-shipping/domestic-shipping/> (accessed October 15, 2017).

²⁶ This follows directly from what economists know as the Stolper-Samuelson theorem.

²⁷ Mercier and Smith (2015).

²⁸ US Government Accountability Office (2009), International Food Assistance: Local and Regional Procurement Can Enhance the Efficiency of U.S. Food Aid, but Challenges May Constrain Its

country study I led found that buying grains in or near the country where the U.S. donates food aid reduced unit costs 53 percent relative to purchasing grains in the U.S., 25 percent in the case of legumes and pulses. It also shaved 14 weeks off delivery times.²⁹ Hungry families can't afford to stay in place and wait those extra months. And the USG can feed far more people, and better, when we buy safe, lower-cost commodities, closer to affected areas.

Increasing timeliness is particularly important for food insecure children because the first thousand days of a child's pre- and post-natal existence—from conception until his or her second birthday—is the most critical window for nutrition during a person's life. A huge body of research has conclusively established that timely and effective intervention to ensure good nutrition and health during the first thousand days yields enormous benefits throughout the life course: higher educational attainment, increased physical stature, improved health, higher adult earnings, and healthier offspring.³⁰ Saving 14 weeks – 10% of the first thousand days – in the delivery of food assistance can have a substantial, lifelong effect on human capital development, with important and significant long-term implications for economic growth and poverty reduction. In Burkina Faso school feeding programs, locally procured rations delivered more fat and protein, at 38% lower cost per child, than did the rations shipped from the US.³¹ That makes a huge difference. Yet, despite the rigorously documented gains that come from LRP, the

Implementation, GAO-09-570; Management Systems International (2012), *USDA Local and Regional Food Aid Procurement Pilot Program: Independent Evaluation Report* (Washington: MSI); Erin C. Lentz, Christopher B. Barrett, Miguel I. Gomez and Daniel G. Maxwell (2013), "On The Choice and Impacts of Innovative International Food Assistance Instruments," *World Development* 49(9): 1-8; William J. Violette, Aurélie P. Harou, Joanna B. Upton, Samuel D. Bell, Christopher B. Barrett, Miguel I. Gómez and Erin C. Lentz (2013), "Recipients' Satisfaction with Locally Procured Food Aid Rations: Comparative Evidence From A Three Country Matched Survey," *World Development* 49(9):30-43. Erin C. Lentz, Simone Passarelli, Christopher B. Barrett (2013), "The Timeliness and Cost-Effectiveness of the Local and Regional Procurement of Food Aid," *World Development*, 49(9): 9-18; Aurélie P. Harou, Joanna B. Upton, Erin C. Lentz, Christopher B. Barrett, and Miguel I. Gómez (2013), "Tradeoffs or Synergies? Assessing local and regional food aid procurement through case studies in Burkina Faso and Guatemala," *World Development* 49(9): 44-57; Erin C. Lentz and Christopher B. Barrett (2014), "The Negligible Welfare Effects of the International Food Aid Provisions in the 2014 Farm Bill," *Choices* 29(3): http://www.choicesmagazine.org/magazine/pdf/cmsarticle_386.pdf; Amy Margolies and John Hoddinott (2014), "Costing Alternative Transfer Modalities," *Journal of Development Effectiveness* 7(1): 1–16.

²⁹ Lentz, Passarelli and Barrett (2013).

³⁰ Black, Robert E., Cesar G. Victora, Susan P. Walker, Zulfiqar A. Bhutta, Parul Christian, Mercedes De Onis, Majid Ezzati, Sally Grantham-McGregor, Joanne Katz, Reynaldo Martorell and Ricardo Uauy (2013), "Maternal and child undernutrition and overweight in low-income and middle-income countries." *Lancet* 382 (9890): 427-451; J. Hoddinott, J. Maluccio, J. Behrman, R. Martorell, Paul Melgar, Agnes R. Quisumbing, Manuel Ramirez-Zea, Aryeh D. Stein, and Kathryn M. Yount, 2013. "Adult consequences of growth failure in early childhood," *American Journal of Clinical Nutrition*, 98: 1170-1178; Black, Robert E., Lindsay H. Allen, Zulfiqar A. Bhutta, Laura E. Caulfield, Mercedes De Onis, Majid Ezzati, Colin Mathers, Juan Rivera, and Maternal and Child Undernutrition Study Group (2008). "Maternal and child undernutrition: global and regional exposures and health consequences." *Lancet* 371(9608): 243-260.

³¹ Harou et al. (2013).

Congress has yet to directly appropriate a penny for the unnecessarily small USDA LRP Program authorized for the first time in the 2014 Farm Bill.

Current US policy defies global best practice. Following the December 2004 Indian Ocean tsunami, major donors and humanitarian agencies began converting from in-kind food aid shipped long distances to alternative approaches to international food assistance, including providing disaster-affected beneficiaries with cash or vouchers to buy food, local and regional purchases (LRP) of food closer to places in need so as to reduce costs and delivery lags. As a result, donors such as Australia, Canada, and the European Union have “untied” their food assistance, meaning they no longer require the procurement of food aid within their borders. This flexibility has expanded their programs’ reach.

The US government has experience with such modalities as well, through the LRP pilot program authorized under the 2008 Farm Bill and, especially, the Emergency Food Security Program (EFSP), which was initially funded with international development assistance resources in FY2010, and then was codified in law as part of the Global Food Security Act of 2016.³² The results from those programs have likewise clearly demonstrated that these more flexible methods significantly outperform in-kind food aid procured in and shipped from the US.³³

Both the George W. Bush and Obama administrations therefore advocated for a variety of food aid reforms, including increased flexibility to use different food assistance tools.³⁴ The Obama administration’s 2014 proposed budget allowed for up to 45 percent of Title II funds to be untied from domestic sourcing requirements. USAID estimated that, in total, those reforms would have allowed them to reach 2-4 million more people per year.³⁵

Some proponents of in-kind food aid claim that food aid purchase in the United States somehow helps American farmers. There is not a single credible study that supports such a claim. The simple fact is that US food aid programs procure hundreds of millions of dollars’ worth of commodities in a several hundred billion dollar US agricultural industry that is tightly integrated into a nearly \$4 trillion global agricultural economy. US food aid is a drop in the ocean of the global agricultural market. Food aid procurement has no effect on the prices farmers receive, even for the handful of commodities for which US food aid programs absorb five percent or more of domestic production, such as sorghum, lentils, dried beans or peas.³⁶ Farm prices and incomes are driven by global markets, not by US food aid programs.

³² Indeed, EFSP, funded through the International Disaster Assistance and Overseas Contingency Operations accounts and intended to complement Title II emergency food aid, grew from \$244 million in fiscal year 2010 to more than \$1 billion in fiscal year 2015. Schnepf (2016).

³³ Lentz, Passarelli and Barrett (2013).

³⁴ Schnepf (2016).

³⁵ Schnepf (2016).

³⁶ Mercier and Smith (2015).

In an alarmist, last ditch attempt to save the restrictions that generate windfall gains for them, some proponents of the status quo claim that purchasing food abroad under cash-based programs compromises food safety and quality. This conjecture is false. A careful recent study in Burkina Faso found the quality and safety of locally procured commodities was equal to or better than that of commodities shipped from the United States.³⁷ Why? As any chef or trader knows, it is intrinsically easier to assure food quality and safety when one can inspect – and reject substandard – shipments before paying the vendor. Spoilage is commonplace in trans-oceanic shipments, for which replacement deliveries are effectively impossible (and expensive). Consumer satisfaction surveys among food aid recipients in multiple countries likewise find no advantage from commodities shipped from the US over those locally procured.³⁸

Another myth is that cash-based food aid programs are somehow more vulnerable to theft and corruption, although not a shred of serious evidence exists to support this claim. Modern cash-based food assistance programs routinely make use of advanced biometric sensors to confirm recipients' identity. High rates of loss of food shipments have been commonplace, especially in programs that serve conflict-affected populations. Hence USAID's reliance on cash-based programs funded by the International Disaster Assistance account to serve Syrian refugees. The same logic that leads most of us to send checks rather than bags of rice to CARE, Catholic Relief Services, World Vision, etc. should guide US food aid policy. In most cases, cash is at least as safe, more flexible, and is cheaper and faster to deliver.

The consequences of wasteful statutory restrictions

The waste arising from these two restrictions results in substantial and persistent economic and human costs. American taxpayers spend far more on shipping and handling than on food. Every tax dollar spent on US food aid yields only 35-40 cents of food commodities available to hungry or disaster-affected people.³⁹ Canada has no such restrictions and makes far more extensive use of LRP, cash, and vouchers. As a result, its taxpayers get roughly twice as much – almost 70 cents' worth of food – from every food aid dollar spent.⁴⁰

The human cost is more stark still because we know saving lives in disasters is relatively cheap. It costs roughly \$125 per child life-year saved to manage the acute malnutrition that routinely arises in the wake of natural disasters and conflict.⁴¹ Based on conservative, back-of-the-

³⁷ Harou et al. (2013).

³⁸ Violette et al. (2013).

³⁹ USAID (2014), *Food for Peace: Behind the Numbers*; GAO(2014), *International Food Aid: Better Agency Collaboration Needed to Assess and Improve Emergency Food Aid Procurement System*, GAO-14-22.

⁴⁰ Lentz and Barrett (2014).

⁴¹ Bhutta, Zulfiqar A., Jai K. Das, Arjumand Rizvi, Michelle F. Gaffey, Neff Walker, Susan Horton, Patrick Webb, Anna Lartey, Robert E. Black (2013). "Evidence-based interventions for improvement of maternal and child nutrition: what can be done and at what cost?" *Lancet* 382(9890): 452-477.

envelope estimates based on the research cited in this testimony, the \$350-400 million/year wasted on cargo preference, in-kind shipments, and monetization⁴² effectively costs at least 3 million child life-years annually. Given global life expectancy at birth of roughly 70 years, a conservative estimate is that we sacrifice roughly 40,000 children's lives annually because of antiquated food aid policies.

That chilling back of the envelope estimate squares with the most rigorous current findings available. A recent study I co-authored estimates that eliminating the cargo preference and domestic procurement restrictions on US food aid policy could reduce child mortality in northern Kenya by 16 percent during severe drought episodes.⁴³

And what is the Congress buying taxpayers for an extra 40,000 child deaths annually? Tragically, very little. The volumes of food aid purchased in and shipped from the U.S. – a fraction of 1 percent of the domestic food market, of the ocean freight cargo from U.S. ports, and of the deepwater maritime workforce – is far too small to boost farmers' or mariners' incomes noticeably.

So what should the Congress do? Small policy changes in how the USG buys and delivers food aid – changes that would not cost taxpayers any additional money – would dramatically improve our nation's ability to deliver lifesaving food assistance. This could also help families faced with the prospect of abandoning their homes and becoming refugees in the struggle to feed their families. By eliminating the cargo preference and domestic procurement restrictions on food aid in the Food for Peace program, Congress will enable USAID Administrator and Secretary of Agriculture to employ current best practices in international food assistance.

Distinguished Senators, you have a choice. You can maintain the status quo – and thereby keep diverting US taxpayer money from hungry people to foreign companies, accomplishing nothing significant for military readiness, farmers or mariners, but costing the lives of disaster-affected children. Or you can enact changes that will far better serve the world's hungry and honor this great nation's long heritage of humanitarian leadership by providing cost-effective assistance to the downtrodden throughout the world.

Thank you for your time and interest.

⁴² See Lentz, Mercier and Barrett (2017) for a discussion of food aid monetization. With the 2014 Farm Bill's expansion of 202(e) cash made available through FFP program to up to 20 percent, open market monetization is effectively a thing of the past in FFP. Monetization nonetheless remains a source of considerable inefficiency and market distortion in the Food for Progress program that USDA runs.

⁴³ Alex Nikulkov, Christopher B. Barrett, Andrew G. Mude and Lawrence M. Wein, "Assessing the Impact of U.S. Food Assistance Delivery Policies on Child Mortality in Northern Kenya," *PLOS ONE* 11, 12 (December 20, 2016), <http://journals.plos.org/plosone/article?id=10.1371/journal.pone.0168432>.