

# **Why U.S. food aid works**

Senate Agriculture Committee

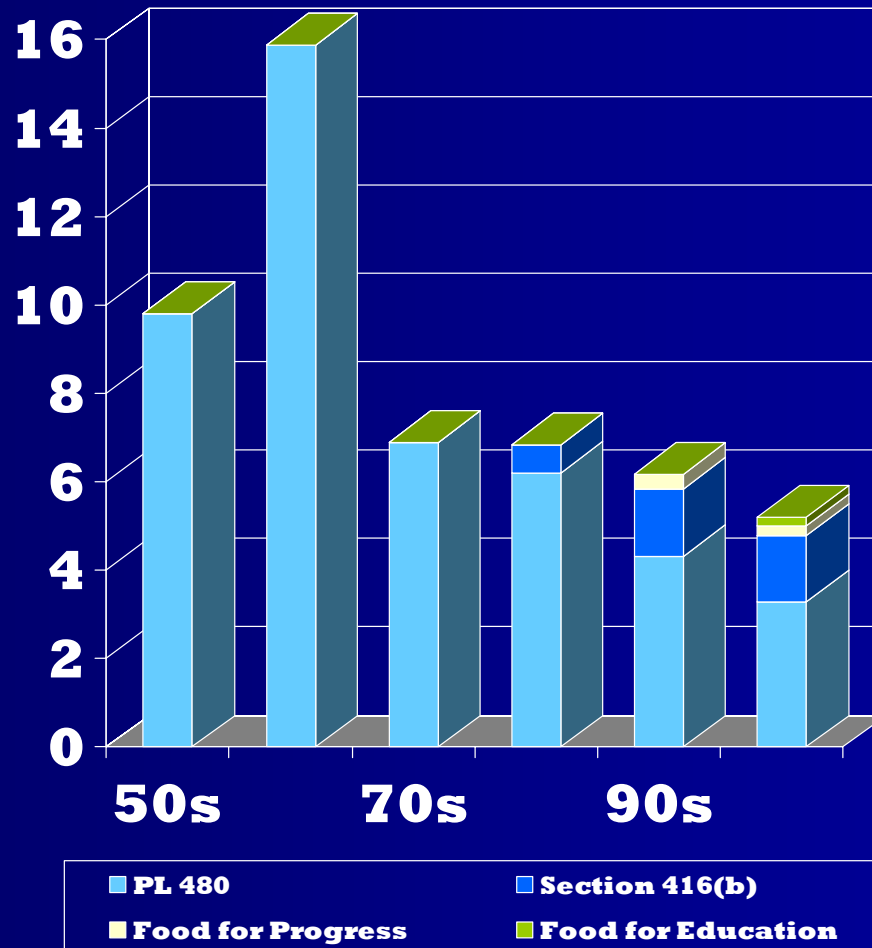
# Chronology of U.S. food aid

- Marshall Plan (1947)
  - Distributed commodities (including food) in war-torn Europe
- Section 416(b) of Agriculture Act of 1949
  - Utilization of surplus commodities for food assistance— primarily domestic distribution, except during 1980's and 1990's
- P.L.-480 Food for Peace (1954)
  - Title I—concessional credit for food imports
  - Title II—in-kind donations; estimated to have helped more than 3.4 billion during program's lifetime
- Food for Progress (1985)
  - Aimed at emerging market countries
- McGovern-Dole Food for Education (2000)
  - Provides food to encourage expansion of education in developing countries

# History of U.S. Food Aid

## 1950-2004, Average by Decade

(Million Tons)



# Budgetary pressure on food aid— discretionary side

- Even though allocation to Agric. Appropriations Subcommittee has declined modestly over last few years, Title II funding has been maintained and McGovern-Dole increased slightly
- Mechanisms to acquire more food aid resources less effective
  - Few CCC stocks to call on w/ Sect. 416(b)
  - Emerson Trust down to 900,000 tons (from 4 million maximum)
  - Emergency supplemental bills best avenue in recent years
- Increasing share of Title II going to address emergency needs rather than development assistance

# Budgetary pressure on food aid- mandatory side

- Unlike 2002 farm bill, Ag. Committees likely to have at best baseline funding for 2007 farm bill
- A successful Doha Round would mean reductions in certain U.S. farm programs
  - Struggle would ensue over where to allocate funds no longer spent on trade-distorting domestic support programs
  - Variety of interests (farm groups, conservation, rural development, etc.) will vie for these dollars
- Only Food for Progress gets mandatory funding
  - President's FY07 budget would zero out Title I, shift money to Title II
  - Would no longer be available to supplement mandatory Food for Progress funds

# Food aid in 2007 farm bill

- Chair and Ranking member of Senate Ag. Committee have asked GAO to evaluate the efficiency of current international food aid programs
- Anticipate that Committee members are open to potential reform of food aid programs in trade title of farm bill, but not gutting them

# Political support for U.S. food aid

- In-kind assistance broadly supported by U.S. agriculture
  - Coalition of farm groups, food processors, shipping interests, NGO's
- U.S. public supports tangible aid to developing countries
  - American instinct is to provide items actually to be used by people in need
- Possible loss of broad-based political support if shift to cash assistance—easier to encroach on funds if not destined for food purchase
- EU record—shifted from in-kind to cash food aid in mid-1990's, amount donated fell by 60 percent

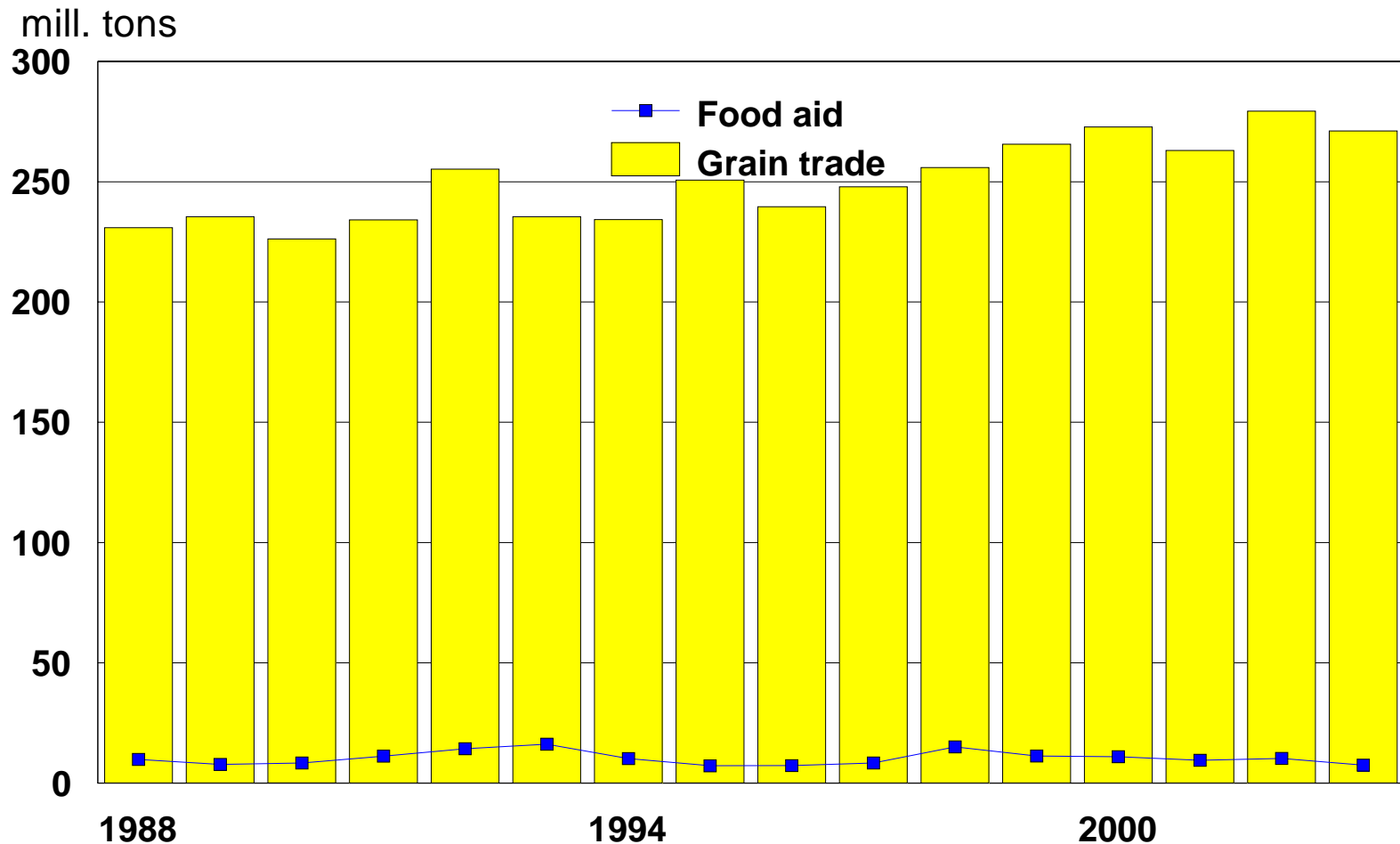
## Case study: President's FY06 budget proposal on food aid

- For FY06, the President proposed shifting \$300 million of Title II funding to a US-AID cash account for purchase of food overseas in emergencies
- Proposal rejected soundly by Congress—not adopted by either the House or Senate Appropriations Committee
  - Reflected concerns about paucity of detail in proposal
  - Congress little interested in changing the way we do food aid in this country
  - Not an appropriations issue
- Similar proposal in FY07 budget—also likely to be rejected by Congress

# Disciplines on food aid

- WTO rules concerned with reducing use of policies distorting world trade
- Food aid share of world agricultural trade negligible
  - less than 1 percent of value of total agricultural trade
  - less than 4 percent of world grain trade
- Food aid disciplines exist in Food Aid Convention—that structure should be utilized and strengthened if needed
- Not every citizen of developing world will benefit from higher commodity prices as a result of a successful Doha Round
  - A 2003 Purdue University study looking at 14 developing countries found that overall poverty would decrease in 11 of the countries
  - certain segments of the poor in every country, particularly those not specializing in agriculture, would actually experience an increase in poverty because of higher food prices.
- We do not want an outcome from the Round that results in less food aid provided overall

# Food aid as share of world grain trade, 1988-2003



Sources: WFP/INTERFAIS and FAO.

# Food aid needs still unmet

- At World Food summit in 1996, donor countries pledged to reduce the number of world's hungry by half (from 800 million) by 2015
- At end of 2004, the UN estimated there were 852 million hungry people in the world
- An April 2005 USDA report estimates that more than 1 billion people consumed less than recommended nutritional requirements in 2004
- We should be worrying more about how much food aid is provided and less about how it is provided

# U.N. Says Thousands in Darfur Have No Food



- **Mar 13, 2006 (AP)**— Increasing violence has left hundreds of thousands of civilians in Sudan's Darfur region without food and facing the prospect of widespread disease and death within weeks, the U.N. humanitarian chief said Monday.
- Jan Egeland said he fears that Darfur is returning to "the abyss" of early 2004 when the region was "the killing fields of this world." Since that time, he said, the U.N. humanitarian operation in the region has succeeded in saving lives.