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STARVING FOR CHANGE

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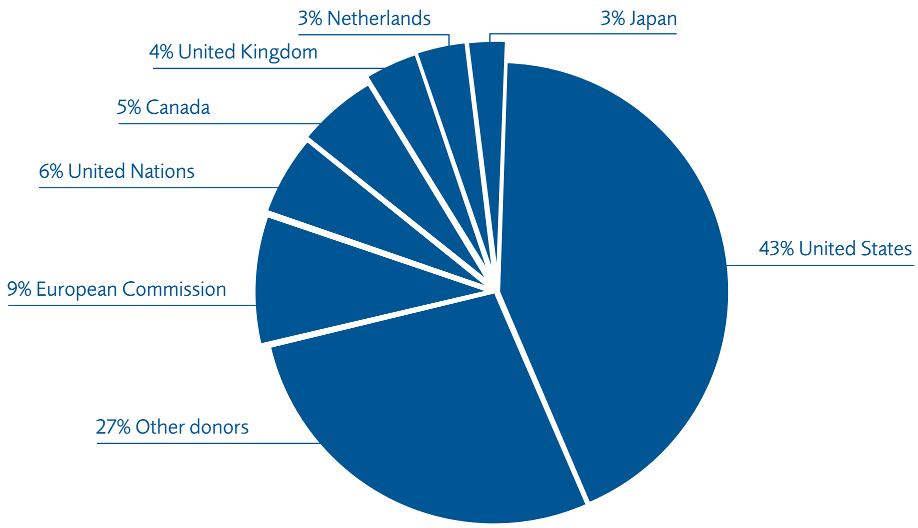
The United States government spends over two billion dollars a year on food aid, supposedly to help poor, hungry people around the world fight off starvation. However, much of this money is not helping the hungry, but instead supports U.S. farmers, shipping companies, and food manufacturers. If the food-aid system were more efficient and better managed, more hungry people could be fed.

WHAT IS FOOD AID?

Food aid is the donation of food or money to relieve immediate hunger or to address problems of chronic hunger. The United States provides the most food aid in the world—approximately 43 percent—at a cost of over $2 billion per year.[1]

FIGURE 1: DONORS TO WORLD FOOD PROGRAMME IN 2006



Source: Government Accountability Office, Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid (April 2007), 8, http://www.gao.gov/new.items/d07560.pdf.

There are two types of food aid. Emergency food aid, given in response to natural disaster, war, or famine, is typically provided for free and is often channeled through the United Nations World Food Programme (WFP) and non-governmental organizations (NGOs). Non-emergency aid is used to support development projects and is often "monetized," meaning that NGOs sell donated agricultural commodities in the markets of the recipient countries to raise funds for other projects.[2]

U.S. FOOD AID PROGRAMS

For the past several years, the United States spent approximately $2 billion per year on food aid. In 2006, the U.S. provided food to more than fifty countries, with 80 percent of the funding going to Africa.[3] Given the current international food crisis, U.S. funding for food-aid programs is likely to increase, despite declining food-aid value in recent years.[4]

The American process for providing food aid is complex. Six different programs have food aid components, including:

- Public Law 480 (also known as the Food for Peace program),
- Titles I, II, and III,
- the Food for Progress program,
- the Section 416(b) surplus commodity program,
- and the McGovern-Dole Food for Education and Child Nutrition program.

PROBLEMS WITH FOOD AID

U.S. food-aid programs, despite their stated intentions, are plagued by a number of problems. The programs are inefficient and waste money. They create difficulties for farmers in developing countries and for the NGOs that administer food aid. The requirements that surround U.S. food aid absorb almost half of the food-aid budget, drastically reducing the number of people that food aid could potentially reach.[5]

The requirement that food aid be carried on U.S.-flag carriers increases the costs of food aid transport.

The Government Accountability Office (GAO) estimates that between 2001 and 2005, the cargo preference requirement imposed an additional $134 million of costs on the U.S. food-aid program and that 65 percent of the expenditures under Title II are for transport. These costs are rising. Overall, the Organisation for Economic Cooperation and Development (OECD) estimates that shipping costs account for half of the U.S. food-aid budget.[6]

U.S. food aid is "tied" to the use of American agricultural products.

U.S. farmers sell goods to food-aid programs which in turn distribute or sell these goods in recipient countries. Food-aid programs become the buyer of last resort for American farmers. In years when harvests are large or when domestic demand is low, food-aid purchases provide an outlet for crops that might otherwise command a low price domestically.

Monetized food aid creates a slew of problems in the provision of food aid.

Monetization of food aid—selling food shipped from the United States in recipient markets—may distort markets in recipient nations. If commodities sold as monetized food aid are cheaper than locally grown food, the aid will discourage local farmers from growing for the market. Though monetization can benefit consumers in the short term, in the longer term, there may be fewer investments in the local agricultural sector which will limit productivity and local supplies. Other evidence suggests that food aid plays a more positive role in meeting nutritional needs and promoting investment when households receive aid directly.[7]

Monetization creates other problems:

- Monetized aid may reduce the price recipient governments pay local farmers for public-sector purchases, creating additional disincentives for local farmers.
- NGOs are usually responsible for selling monetized food aid. This diverts NGO resources that could be used to support local development efforts.
- Monetized food aid may undercut American agricultural businesses in the same way it harms local farmers.
- Monetized food aid does not best help the most vulnerable populations. Selling food on the market and distributing food to the most needy populations can be, and often are, two different things.

THE NGO RESPONSE TO MONETIZATION

Cooperative for Assistance and Relief Everywhere (CARE), an NGO that has been the largest seller of monetized U.S. food aid, will stop selling food in local markets beginning in 2009. CARE changed its policy precisely because of the problems identified above: Sales of monetized food aid are inefficient and harm local farmers.[8]

TABLE 1: U.S. FOOD AID PROGRAMS

PROGRAM		DESCRIPTION	FUNDING		TYPE OF ASSISTANCE	MONETIZED?	YEAR
			FY 2007 (ACTUAL)	FY 2008 (ESTIMATE)			
PL 480	TITLE I	Provides food for sale to fund governments and NGOs	$17 million	0	Nonemergency	Yes	1954
	TITLE II	Donated food to World Food Programme and other NGOs to relieve famine	$1,770 million	$1,316 million	Emergency & Nonemergency	Yes	1954
	TITLE III	Donations to least-developed countries	Currently unfunded		Nonemergency	No	1954
FOOD FOR PROGRESS		Donation or sale to emerging democracies	$147 million	$277 million	Emergency & Nonemergency	No	1985
MCGOVERN-DOLE FOOD FOR EDUCATION AND CHILD NUTRITION		Donation of food as well as financial and technical assistance	$99 million	$104 million	Nonemergency	No	2003
SECTION 416(B)		Donation of surplus commodities to implement Title II and Food for Progress	$20 million	0	Emergency & Nonemergency	No	1949

Source: Government Accountability Office, Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid (April 2007), 68, http://www.gao.gov/new.items/d07560.pdf.

POLICY RECOMMENDATIONS

More food should be bought directly from local or nearby providers.

There are a number of potential benefits associated with buying food locally, but perhaps the most important one is that local purchases eliminate international shipping costs, replacing them with less expensive local transport costs. Even if food is not available in the target country, food purchases can be triangulated: Food can be purchased in a nearby developing country and distributed in a recipient nation—which is still likely cheaper than U.S. purchase and transport.

The World Food Programme and the EU announced that they will begin buying more food from poor farmers. Between 15 and 25 percent of the EU's food aid is now being purchased locally.[9] Local purchases stimulate the local agricultural market which creates spillover effects throughout local economies.

In the United States, the 2008 Farm Bill has created a four-year pilot program that allows for some local purchases of nonemergency food aid.[10] Hopefully, this will benefit poor farmers and poor consumers, as well as NGOs such as CARE (see box), who spend considerable time and effort managing the monetization process rather than focusing on their core mission.

Cash payments should take the place of in-kind donations.

Food is expensive to ship, especially when it must be transported on U.S.-flag carriers. If the U.S. donated cash to support local purchases of food, more hungry people could be helped more quickly. As noted above, the EU has moved in this direction. Shifting to cash payments away from in-kind donations would be another way to support the development of more vibrant local agricultural sectors.

Monetization rates should be reduced to the mandated 15 percent minimum.

In order to develop local markets for food, monetization should be limited. As mentioned above, monetization disrupts local markets and business and is generally an inefficient way to distribute food aid.

Current cargo preference requirements should be reduced or removed.

Cargo preferences add significant costs to the already expensive process of transporting food. In addition, these preference requirements may create disincentives for foreign-carriers to participate in the U.S. program.[11] If local purchase is not an option, allowing for greater use of foreign carriers would direct more of the money for food aid programs to feeding the hungry.

THE REAL PROBLEM WITH FOOD AID

Feeding people or filling pockets?

As currently implemented, U.S. food-aid programs serve two purposes: helping to feed hungry people overseas *and* helping U.S. farming, processing, and shipping interests. Historically, food-aid donations gave farmers an outlet for their surplus crops. Today, tied food aid continues to serve this purpose.

U.S. food aid does not always respond to on-the-ground needs of the hungry. When U.S. harvests are large, food-aid donations increase. But food-aid donations do not necessarily increase in response to increased need in poor nations.[12] Because of legislative requirements that food aid be produced and processed in the United States, shipped on U.S. ships, and out of U.S. ports, American farmers, shippers, and ports all benefit at the expense of those in need. As economist William Easterly recognizes, "Food aid is essentially a way for high-income countries to dump their excess agricultural production on markets in low-income countries."[13] The reality of our food-aid programs is that they are more expensive and reach fewer needy people than alternative approaches. Mandates that require food aid be produced in the United States, shipped on U.S. carriers, and sent from U.S. ports do little to help the hungry—they should be removed or substantially relaxed.

CONCLUSION

Changes to the current U.S. food-aid programs are needed in order to reduce waste, inefficiencies, and to provide greater support for the hungry in developing nations. Changes that reduce market distortions and provide incentives for farmers to produce for their local and regional markets should be encouraged.

Food aid will remain a valuable tool to help address humanitarian needs in times of crisis. But to the extent that current U.S. food-aid programs distort food markets and unnecessarily raise the costs of getting aid to hungry people, they should be reexamined and amended.

ENDNOTES

1. GAO, *Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid* (April 2007): 8; OECD, *The Development Effectiveness of Food Aid: Does Tying Matter?* (2005): 20.
2. FAO, *The State of Food and Agriculture 2006* (FAO Agriculture Series No. 37, 2006), ftp://ftp.fao.org/docrep/fao/009/a0800e/a0800e.pdf.
3. GAO, *Foreign Assistance*, 8.
4. House Resolution 6124: Food, Conservation, and Energy Act of 2008, section 30-21, subsection 1.
5. FAO, *The State of Food and Agriculture* 2006, 16.
6. Kimberly Elliot, *Delivering on Doha: Farm Trade and the Poor (Center for Global Development* (2006): 93.
7. For a discussion of why food aid does not create disincentives for local agricultural production, see Awudu Abdulai, Christopher B. Barrett, and John Hoddinott, "Does food aid really have disincentive effects? New evidence from sub-Saharan Africa," *World Development* 33 (October 2005).
8. See Celia W. Dugger, "As U.S. Foreign Dollars Buy Less, International Agencies Differ Over How to Use Aid," *New York Times*, October 3, 2007.
9. FAO, *The State of Food and Agriculture 2006*, 15.
10. HR 6124, Title III.
11. GAO, *Foreign Assistance*, 30.
12. FAO, *The State of Food and Agriculture*, 1–2.
13. William Easterly, "Where Does the Money Go? Best and Worst Practices in Foreign Aid" *Journal of Economic Perspectives* 22, no. 2 (2008): 17–18.

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