



# International Food Aid Programs: Background and Issues

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## Summary

For almost six decades, the United States has played a leading role in global efforts to alleviate hunger and malnutrition and to enhance world food security through the sale on concessional terms or donation of U.S. agricultural commodities. The objectives for foreign food aid include providing emergency and humanitarian assistance in response to natural or manmade disasters, and promoting agricultural development and food security. In its FY2014 budget submission to Congress, the Administration proposes major changes in the funding and structure of both emergency and development food aid programs (Food for Peace Title II).

U.S. international food aid programs have traditionally been authorized in farm bills. The most recent of such bills, the Food, Conservation, and Energy Act of 2008 (P.L. 110-246), authorized through FY2012 and amended international food aid programs. These programs are administered either by the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA) or by the U.S. Agency for International Development (USAID). U.S. international food aid has been distributed mainly through five program authorities: the Food for Peace Act (P.L. 480); Section 416(b) of the Agricultural Act of 1949; the Food for Progress Act of 1985; the McGovern-Dole International Food for Education and Child Nutrition Program; and the Local and Regional Procurement Pilot Project, a pilot program in the 2008 farm bill which ended in FY2012. In addition, the 2008 farm bill also reauthorized the Bill Emerson Humanitarian Trust (BEHT), a reserve of commodities and cash for use in the Food for Peace programs to meet unanticipated food aid needs.

The 112<sup>th</sup> Congress extended the 2008 farm bill, including its international food aid provisions and food aid funding levels in effect during FY2012, through September 30, 2013, as part of the “fiscal cliff” legislation (P.L. 112-240).

Average annual spending on international food aid programs over the decade FY2002-FY2011 was approximately \$2.2 billion, with Food for Peace Title II activities comprising the largest portion of the total budget. In recent years, the volume of Title II emergency food aid has exceeded the amount of nonemergency or development food aid. The 2008 farm bill provides for a “safe box” for funding of nonemergency development assistance projects under Title II, which was set at \$400 million for FY2013. This requirement can be waived by the President if certain criteria are met. The 2008 farm bill also maintained funding for the McGovern-Dole International Food for Education and Child Nutrition program on a discretionary basis, and authorized \$60 million over four years for a local and regional procurement pilot project to be implemented in developing countries in order to expedite the provision of food aid to vulnerable populations affected by food crises and disasters. Separately authorized and funded is USAID’s Emergency Food Security Assistance Program, which uses International Disaster Assistance funds to provide cash-based food security assistance (local/regional procurement, cash vouchers, or cash transfers) for emergency relief.

Food aid issues debated in 2012 have re-emerged as the 113<sup>th</sup> Congress takes up the President’s food aid reform proposal. The issues include ensuring the nutritional quality of food aid provided; assessing the role of monetization (selling food aid commodities in recipient countries to finance development projects); determining the effectiveness and appropriateness of local and regional procurement of food aid; and determining the cost-effectiveness of U.S. cargo preference for delivering U.S. food aid. The Administration’s food aid proposal would shift funds from Food for Peace to three USAID accounts and eliminate the monetization procedure, provide flexibility to

procure commodities in local and regional markets overseas, and reduce the volume of commodities subject to cargo preference legislation. The Administration's proposals will be fiercely debated as Congress takes up the President's budget request.

## Contents

Background.....	1
Food Aid Programs .....	2
Food for Peace Act (P.L. 480).....	2
Title I, Economic Assistance and Food Security .....	3
Title II, Emergency and Private Assistance.....	3
Title III, Food for Development .....	5
Title V, Farmer-to-Farmer Program (FtF) .....	6
Section 416(b) .....	6
Food for Progress (FFP) .....	6
McGovern-Dole International Food for Education and Child Nutrition Program .....	7
Local and Regional Procurement Pilot Project (LRPP) .....	8
The Bill Emerson Humanitarian Trust (BEHT) .....	9
Emergency Food Security Program (EFSP).....	9
Issues for Congress .....	10
Food Aid Quality .....	11
Monetization.....	12
Local or Regional Procurement (LRP).....	14
Cargo Preference .....	15
Funding of Food Aid and The Administration’s Food Aid Reform Proposal .....	16
FY2014 Budget Request: USAID’s Reform Proposals .....	17
The Proposal.....	17
Criticisms of the Proposal .....	19
Jurisdictional Issues.....	20
2013 Farm Bill Food Aid Proposals .....	21

## Figures

Figure 1. Allocation of Food for Peace Title II Commodities to Emergency and Nonemergency Programs, FY1992-FY2010 .....	5
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## Tables

Table 1. U.S. International Food Assistance Programs.....	2
Table 2. Emergency Food Security Program (EFSP), FY2010-FY2012 .....	10
Table 3. FY2011-FY2012 EFSP Breakdown.....	10
Table 4. International Food Aid Program Levels, FY2003-FY2014 (Requested) .....	17

## Contacts

Author Contact Information.....	22
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Acknowledgments .....	22
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## Background

For almost six decades, the United States has played a leading role in global efforts to alleviate hunger and malnutrition and to enhance world food security through the provision of international food aid. U.S. food aid programs, authorized in periodic farm bills, provide U.S. commodities for emergency food relief and to support development projects.

The U.S. government has provided food aid primarily through five program authorities:

- Food for Peace Act (historically referred to as P.L. 480);<sup>1</sup>
- Section 416(b) of the Agricultural Act of 1949;
- Food for Progress Act of 1985;
- McGovern-Dole International Food for Education and Child Nutrition Program (IFECN); and
- Local and Regional Procurement Pilot Project.

The 2008 farm bill (P.L. 110-246, the Food, Conservation, and Energy Act of 2008) authorized these international food aid programs through FY2012.<sup>2</sup> P.L. 112-240, the “fiscal cliff” legislation, extends these food aid programs through the end of FY2013 at funding levels as of the end of FY2012. Food aid programs are administered either by the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA) or by the U.S. Agency for International Development (USAID). In addition, the 2008 farm bill also reauthorized the Bill Emerson Humanitarian Trust (BEHT), a reserve of commodities and cash for use in the Food for Peace programs to meet unanticipated food aid needs.<sup>3</sup> **Table 1** lists the year each international food assistance program was enacted, and the agency responsible for administering each program.

The President’s FY2014 food aid proposal, outlined in the FY2014 budget request and discussed in detail below, would shift funding previously allocated to Food for Peace (P.L. 480) Title II emergency and nonemergency food aid to programs authorized in foreign assistance legislation.

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<sup>1</sup> The original name of P.L.480 was the Agricultural Trade Development and Assistance Act of 1954 (P.L. 83-480). In 1961, President John F. Kennedy renamed it the “Food for Peace Act.” Congress officially changed the name to Food for Peace Act in the 2008 farm bill (P.L. 110-246).

<sup>2</sup> For detailed information about international food aid provisions in the Food, Conservation and Energy Act of 2008, see CRS Report RS22900, *International Food Aid Provisions of the 2008 Farm Bill*, by Charles E. Hanrahan.

<sup>3</sup> The Bill Emerson Humanitarian Trust was originally authorized by the Agricultural Act of 1980 (P.L. 96-494) as the Food Security Wheat Reserve, but was later reauthorized and renamed by the Africa Seeds of Hope Act of 1989 (P.L. 101-385).

**Table I. U.S. International Food Assistance Programs**

<b>Program</b>	<b>Year Began</b>	<b>Implementing Agency</b>
<b>Food for Peace Act, Title I</b> Economic Assistance and Food Security	1954	FAS
<b>Food for Peace Act, Title II</b> Emergency and Private Assistance	1954	USAID
<b>Food for Peace Act, Title III</b> Food for Development	1990	USAID
<b>Food for Peace Act, Title V</b> Farmer-to-Farmer	1985	USAID
<b>Section 416(b)</b>	1949	FAS
<b>Food for Progress</b>	1985	FAS
<b>McGovern-Dole IFECN Program</b>	2003	FAS
<b>Local &amp; Regional Procurement Pilot Program</b>	2008	FAS
<b>Bill Emerson Humanitarian Trust</b>	1980	FAS

Source: CRS.

## Food Aid Programs

### Food for Peace Act (P.L. 480)<sup>4</sup>

The Food for Peace Act (FPA), historically referred to as P.L. 480, is the main legislative vehicle that authorizes foreign food assistance. Over the decade 2002-2011, FPA typically accounted for 50%-90% of total annual international food aid spending. FPA food aid has several stated objectives, including combating world hunger and malnutrition and their causes; promoting sustainable agricultural development; expanding international trade; fostering private sector and market development; and preventing conflicts. FPA is comprised of four primary programs, which are each listed under a different title and have different objectives. The FPA components include

- Title I, Economic Assistance and Food Security, which makes available long-term, low-interest loans to developing countries and private entities for their purchase of U.S. agricultural commodities to support specific projects;
- Title II, Emergency and Private Assistance, which provides for the donation of U.S. agricultural commodities to meet emergency and nonemergency food needs;
- Title III, Food for Development, which makes government-to-government grants available to support long-term growth in the least developed countries; and
- Title V, Farmer-to-Farmer Program, which finances short-term volunteer technical assistance to farmers, farm organizations, and agribusinesses in developing and transitional countries.

<sup>4</sup> Additional information on Food for Peace Act (P.L. 480) food aid is available at <http://www.fas.usda.gov/food-aid.asp>.

Over the past 10 years, Title II has become the largest vehicle for U.S. food aid shipments. In the early years of P.L. 480, Title I funding typically dwarfed that of other programs, but since 1980 it has declined by more than 90%. At the same time, emergency and development food aid under **Title II has increased significantly since 1990**, when strengthening global food security was made a formal objective of American food aid in the 1990 farm bill. Starting in FY2006, Administrations have not requested funding for any new Title I food aid programs. Title III has been inactive since FY2002. Title I of the Food for Peace Act is administered by USDA, while Titles II, III, and V are administered by USAID. Funding for Food for Peace Act programs is authorized in annual Agriculture appropriations bills. Food aid funding currently is authorized in a full fiscal year continuing resolution which expires on September 30, 2013.<sup>5</sup>

A Food Aid Consultative Group (FACG) advises the USAID Administrator on food aid policy and regulations, especially related to Title II of P.L. 480. The 2008 farm bill, in addition to reauthorizing the FACG, added a representative of the maritime transportation sector to the group. In addition to the maritime sector representative, the FACG membership consists of the USAID Administrator, the Under Secretary of Agriculture for Farm and Foreign Agricultural Services, the Inspector General for USAID, a representative of each private voluntary organization (PVO) and cooperative participating in FPA programs, representatives from African, Asian, and Latin-American indigenous nongovernmental organizations (NGOs) as determined appropriate by the Administrator of USAID, and representatives from agricultural producer groups in the United States.

Food for Peace (P.L. 480) Title II, discussed here, is the focus of the President's food aid reform proposal discussed below.

## **Title I, Economic Assistance and Food Security**

Title I, Economic Assistance and Food Security, provides for sales on credit terms of U.S. agricultural commodities to developing country governments and to private entities for U.S. dollars or for local currencies. Loan agreements under the Title I credit program may provide for repayment terms of up to 30 years with a grace period of up to five years. Donations of Title I commodities can also be made through Food for Progress grant agreements. No new funding for Title I credit sales and grants has been appropriated since FY2006, although some funding has been provided to administer previously entered into Title I program agreements.

## **Title II, Emergency and Private Assistance**

Title II, Emergency and Private Assistance, provides for **donations of U.S. agricultural commodities** to meet emergency and nonemergency food needs in foreign countries. **Food aid provided under Title II is primarily targeted to vulnerable populations in response to malnutrition, famine, natural disaster, civil strife, and other extraordinary relief requirements.** Title II food aid is **also** used to meet nonemergency economic development needs that **address food security.** Emergency assistance is provided through intergovernmental organizations, particularly the United Nations World Food Programme (WFP) and PVOs, although commodities may be used in government-to-government programs. Nonemergency assistance may be provided through PVOs, cooperatives, and intergovernmental organizations. Commodities requested may be furnished

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<sup>5</sup> P.L. 112-175, Sept. 28, 2012.



from the inventory of USDA's Commodity Credit Corporation (CCC), if available, or purchased in the market.<sup>6</sup> The CCC also finances transportation costs, including both ocean freight and overland transport costs when appropriate. The CCC may also pay for storage and distribution costs for commodities, including pre-positioned commodities, made available to meet urgent or extraordinary relief requirements. Depending on the agreement, commodities provided under the program may be sold in the recipient country and the proceeds used to support development projects, a practice known as "monetization."<sup>7</sup>

The 2008 farm bill set the annual authorization level for Title II at \$2.5 billion. This level of funding was \$500 million more than the annual authorization for Title II under the 2002 farm bill. As this authorization is discretionary, it is up to annual appropriations bills to set the amount of annual Title II funding, which over the five-year life of the 2008 farm bill has averaged \$1.8 billion annually.

The 2008 farm bill mandated that Title II commodity donations provide an annual minimum tonnage level of 2.5 million metric tons (mmt), of which 1.875 mmt (75%) is to be channeled as nonemergency (development) assistance through the eligible organizations. This mandate can be waived by the USAID Administrator, who can make the determination that there is a greater emergency need, and/or that the mandated volume of commodities cannot be used effectively in nonemergency situations. In recent years, the volume of Title II emergency food aid has far exceeded the amount of nonemergency or development food aid (see **Figure 1**).

The 2008 farm bill included a "safe box" for funding of nonemergency development assistance projects under Title II. The aim of the safe box is to provide assurances to the implementing organizations (PVOs, cooperatives, intergovernmental organizations) of a given level of funds with which to carry out development projects. The safe box funding level ranged from \$375 million in FY2009 to \$450 million in FY2012. The mandated funding level can be waived if three criteria are satisfied: (1) the President determines that an extraordinary food emergency exists; (2) resources from the Bill Emerson Humanitarian Trust (described below) have been exhausted; and (3) the President has submitted a request for additional appropriations to Congress equal to the reduction in safe box and Emerson Trust levels.

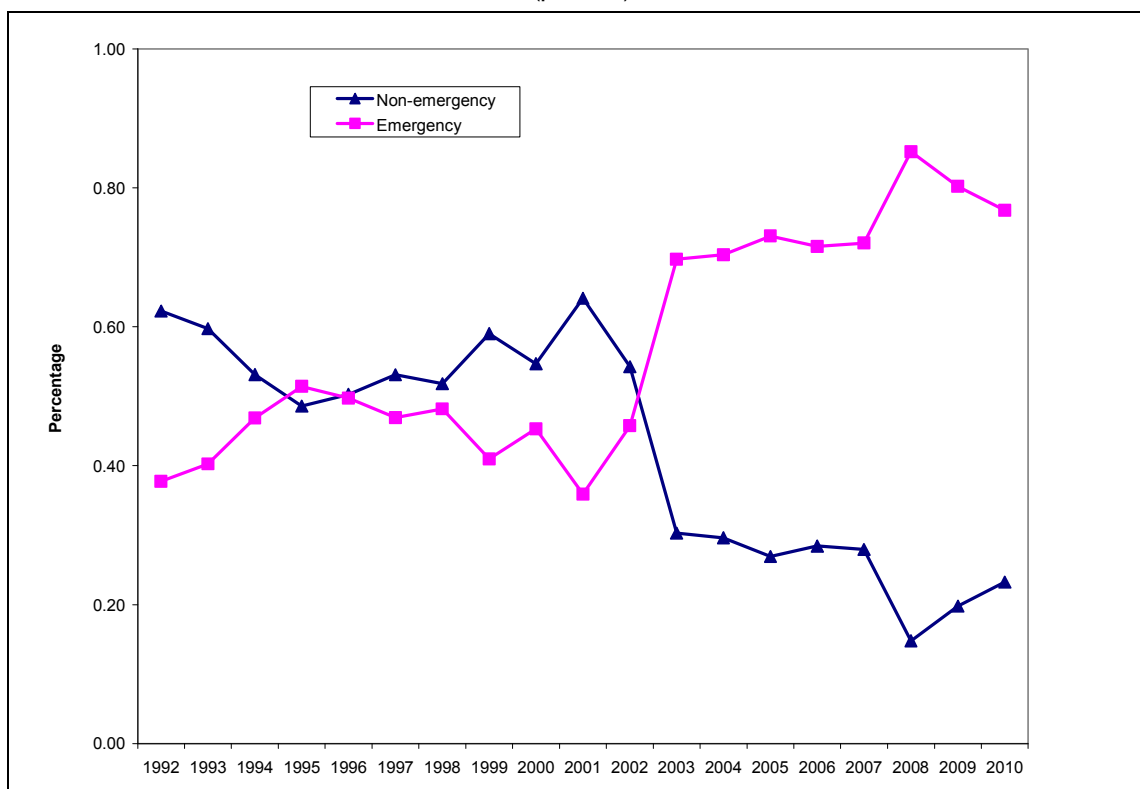
The 2008 farm bill also authorized the use of up to \$22 million annually for the monitoring and assessment of nonemergency food aid programs. This provision is a response to criticism that monitoring of such programs by USAID has been inadequate due to such factors as limited staff, competitive priorities, and legal restrictions. This provision authorized the USAID Administrator to employ contractors as nonemergency food aid monitors.

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<sup>6</sup> The Commodity Credit Corporation is a U.S. government-owned and -operated corporation, created in 1933, with broad powers to support farm income and prices and to assist in the export of U.S. agricultural products. The CCC finances USDA's domestic price and income support programs and its export programs using its permanent authority to borrow up to \$30 billion at any one time from the U.S. Treasury.

<sup>7</sup> Authorization for monetization was first included in the Food Security Act of 1985 (P.L. 99-198). Under Section 203 of that statute, PVOs or cooperatives are permitted to sell (i.e., monetize) for local currencies or dollars an amount of commodities equal to not less than 15% of the total amount of commodities distributed under Title II in any fiscal year. The currency generated by these sales can then be used to finance internal transportation, storage, or distribution of commodities; to implement development projects; or to invest and with the interest earned used to finance distribution costs or projects.

**Figure I. Allocation of Food for Peace Title II Commodities to Emergency and Nonemergency Programs, FY1992-FY2010**  
(percent)



**Source:** USAID congressional budget justification, various years.

**Note:** Data compiled by Carol Canada, CRS-KSG.

In addition, the 2008 farm bill also increased the amount of Title II funding available annually from \$3 million to \$8 million for stockpiling and rapid transportation, delivery, and distribution of shelf-stable, prepackaged foods. Shelf-stable foods are developed under a cost-sharing arrangement that gives preference to organizations that provide additional funds for developing these products. The 2008 farm bill also reauthorized pre-positioning of commodities overseas and increased the funding for pre-positioning to \$10 million annually from \$2 million annually. USAID maintains that pre-positioning (at various sites in the United States and around the world) enables it to respond more rapidly to emergency food needs. Critics say, however, that the cost-effectiveness of pre-positioning has not been evaluated.

### Title III, Food for Development

Title III, Food for Development, provides for government-to-government grants to support long-term economic development in the least developed countries. Under this program, donated commodities can be sold in the recipient countries (i.e., monetized) and the revenue generated is used to support programs that promote economic development and food security, including development of agricultural markets, school feeding programs, nutrition programs, and infrastructure programs. The costs of procurement, processing, and transportation are also paid

for by the U.S. government under Title III. No funding request has been made for Title III activities since FY2002.

### **Title V, Farmer-to-Farmer Program (FtF)**

The Farmer-to-Farmer program, first authorized in the 1985 farm bill, has been reauthorized in subsequent farm bills, including the 2008 farm bill.<sup>8</sup> The FtF program does not provide commodity food aid, but instead provides technical assistance to farmers, farm organizations, and agribusinesses in developing and transitional countries. The program mobilizes the expertise of volunteers from U.S. farms, land grant universities, cooperatives, private agribusinesses, and nonprofit organizations to carry out short-term projects overseas. The 2008 farm bill provides minimum funding for the program of the greater of \$10 million or 0.5% of the funds made available to Food for Peace Act programs for each year from FY2008 through FY2012. Special emphasis is given to activities in the Caribbean Basin and sub-Saharan Africa.

### **Section 416(b)<sup>9</sup>**

The Section 416(b) program, which is permanently authorized by the Agricultural Act of 1949, provides for the overseas donation of surplus agricultural commodities owned by the CCC. The program is administered by USDA and has been a highly variable component of food aid because it is entirely dependent on the availability of surplus commodities in CCC inventories. Section 416(b) donations may not reduce the amounts of commodities that traditionally are donated to domestic feeding programs or agencies, and may not disrupt normal commercial sales.

The commodities are made available for donation through agreements with foreign governments, PVOs, cooperatives, and intergovernmental organizations. Depending on the agreement, the commodities donated under Section 416(b) may be sold in the recipient country and the proceeds used to support agricultural, economic, or infrastructure development programs.

The Section 416(b) program has been inactive since FY2007 because of the unavailability of CCC-owned stocks.

### **Food for Progress (FFP)<sup>10</sup>**

The Food for Progress (FFP) program was authorized in the Food for Progress Act of 1985 and is administered by USDA's Foreign Agricultural Service. The program authorizes the CCC to carry out the sale and export of U.S. agricultural commodities on credit terms or on a grant basis, using either CCC financing or Title I funds. The program is intended to assist developing countries and emerging democracies to strengthen free enterprise development in the agricultural sector. FFP focuses especially on private sector development of agricultural infrastructure, such as improved

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<sup>8</sup> The 2008 farm bill designated this program as the "John Ogonowski and Doug Bereuter Farmer-to-Farmer Program" in honor of one of the pilots killed September 11, 2001, who was also a participant in the program, and of former Representative Bereuter, a supporter of the program.

<sup>9</sup> Additional information on Section 416(b) is available at <http://www.fas.usda.gov/excredits/FoodAid/416b/section416b.asp>.

<sup>10</sup> Additional information on the Food for Progress program is available at <http://www.fas.usda.gov/excredits/foodaid/ffp/foodforprogress.asp>.

agricultural production practices, marketing systems, farmer training, agro-processing, and agribusiness development.

The 2008 farm bill required that a minimum of 400,000 metric tons of commodities be provided in the FFP program. The implementing organizations request commodities and USDA purchases those commodities from the U.S. market. USDA donates the commodities to the implementing organizations and pays for the freight to move the commodity to the recipient country. The program is limited by statute to pay no more than \$40 million annually for freight costs. Organizations eligible to carry out FFP programs include governments, PVOs, cooperatives, and intergovernmental organizations, such as the World Food Programme (WFP).

In FY2011, FFP provided more than 240,000 metric tons of U.S. commodities (including wheat, wheat flour, rice, soybeans, soybean meal and oil, and corn) with an estimated value of \$162 million to implementing partners in nine developing countries.

## **McGovern-Dole International Food for Education and Child Nutrition Program<sup>11</sup>**

The McGovern-Dole program was first authorized in the 2002 farm bill (P.L. 107-171), the Farm Security and Rural Investment Act of 2002, and is administered by USDA's Foreign Agricultural Service.<sup>12</sup> The program uses commodities and financial and technical assistance to carry out school feeding programs and maternal, infant, and child nutrition programs in foreign countries. The 2008 farm bill reauthorized the program through FY2012 and established USDA as the permanent home for the program.

The commodities used in the program are made available for donation through agreements with PVOs, cooperatives, intergovernmental organizations, and foreign governments. Commodities may be donated for direct feeding or, in limited situations, for local sale to generate proceeds to support school feeding and nutrition projects. Priority countries under the McGovern-Dole program must demonstrate sufficient need for improving domestic nutrition, literacy, and food security.

The 2008 farm bill maintained funding for McGovern-Dole on a discretionary basis. The enacted FY2013 appropriation provides \$185 million for the McGovern-Dole International Food for Education and Child Nutrition Program Grants. It also expanded the McGovern-Dole program by more than doubling the program from the level enacted in FY2009. The additional resources built upon an existing expansion in programming, which was included as a one-time authorization in the 2008 farm bill, of \$84 million of CCC funding to the program in FY2009. The enacted appropriation also included an appropriation to the Secretary of \$10 million to conduct pilot projects to develop and field-test new and improved micronutrient-fortified products to improve the nutrition of populations served through the McGovern-Dole program.

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<sup>11</sup> Additional information the McGovern-Dole program is available at <http://www.fas.usda.gov/excredits/FoodAid/FFE/FFE.asp>.

<sup>12</sup> This program is named in honor of former ambassador and former Senator George McGovern and former Senator Robert Dole for their efforts to encourage a global commitment to school feeding and child nutrition.

## Local and Regional Procurement Pilot Project (LRPP)<sup>13</sup>

The Local and Regional Procurement Pilot Project (LRPP) was authorized as a four-year pilot program under the 2008 farm bill. The bill directed the Secretary of Agriculture to implement the pilot in developing countries and provided CCC funding totaling \$60 million for FY2009 through FY2012.<sup>14</sup> Under the program, grants were provided to PVOs, cooperatives, and the WFP, to undertake the procurement activities. The primary purpose of the LRPP was to expedite the provision of food aid to vulnerable populations affected by food crises and disasters. A secondary purpose was to provide development assistance that will enhance the food consumption security of such populations. The pilot program had four phases:

1. Conduct a study of prior experience of others with local and regional purchase initiatives (FY2008-FY2009).
2. Develop guidelines (FY2009).
3. Implement field-based projects (FY2009-FY2011).
4. Conduct an independent evaluation (FY2012).

FAS carried out the mandated study on the prior experience of other donor countries, PVOs, and the WFP with local and regional procurement, and submitted a report to Congress in January 2009.<sup>15</sup> The agency released interim guidelines in September 2009.<sup>16</sup> Pilot field based projects have been completed. USDA's evaluation report, conducted by Management Systems International and Coffey International Development, was published in December 2012.<sup>17</sup> The evaluation found that total time for LRP purchases averaged 56 days, while total time for comparable in-kind shipments to the same countries in the same time frame took an average of 130 days, that is, 74 days longer for in-kind commodities to arrive. (Evaluators did not have data on pre-positioned in-kind stocks to compare delivery times of LRP with delivery times of prepositioned in-kind commodities.) The evaluation found that for five commodity categories (unprocessed cereals, milled cereals, fortified blended foods, pulses, and vegetable oils), the in-kind commodity costs were lower than LRP commodity costs when counting commodity cost alone. However, total costs (which included ocean, inland, and internal transport, storage, and handling as well as commodity costs) were lower for LRP for every commodity category except for vegetable oils.

For additional background and discussion about issues related to local and regional procurement, see CRS Report R40759, *Local and Regional Procurement for U.S. International Emergency Food Aid*.

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<sup>13</sup> Additional information about the USDA's Local and Regional Procurement Project is available at <http://www.fas.usda.gov/excredits/FoodAid/LRP/LRP.asp>.

<sup>14</sup> Funding will be made available as follows: \$5 million in FY2009; \$25 million in FY2010; \$25 million in FY2011; and \$5 million in FY2012.

<sup>15</sup> A copy of the study report, which USDA released to Congress in January 2009, is available at <http://www.fas.usda.gov/excredits/FoodAid/LRP/USDALRPStudy.pdf>.

<sup>16</sup> Interim guidelines are available at [http://www.fas.usda.gov/excredits/FoodAid/LRP/Interim\\_PPP\\_Guidelines.pdf](http://www.fas.usda.gov/excredits/FoodAid/LRP/Interim_PPP_Guidelines.pdf).

<sup>17</sup> *USDA Local and Regional Food Aid Procurement Pilot Project*, Independent Evaluation Report, December 2012, viewed at <http://www.fas.usda.gov/info/LRP%20Annexes%2012-12-12%20TO%20PRINT.pdf>.

## **The Bill Emerson Humanitarian Trust (BEHT)<sup>18</sup>**

The Bill Emerson Humanitarian Trust (BEHT) is a reserve of U.S. commodities and cash authorized under the Africa: Seeds of Hope Act of 1998 (P.L. 105-385). The trust is not a food aid program per se, but rather a food reserve that can be used to meet unanticipated humanitarian food aid needs in developing countries. The trust replaced the Food Security Commodity Reserve established in the 1996 farm bill and its predecessor, the Food Security Wheat Reserve, originally authorized by the Agricultural Trade Act of 1980. The 2008 farm bill reauthorized the BEHT through FY2012. The program is administered under the authority of the Secretary of Agriculture.

Since 1980, the only commodity held in reserve has been wheat. The 2008 farm bill removed the previous 4 million ton cap on commodities that can be held in the trust, and provides the Secretary with the ability to exchange commodities in the trust for cash, provided the sale does not disrupt markets. It also allows the Secretary to invest the funds from the trust in low-risk, short-term securities or instruments so as to maximize its value. During 2008, USDA sold the remaining wheat in the trust (about 915,000 MT) so that currently the BEHT holds only cash (about \$311 million in FY2013). The cash can be used to finance activities or purchase commodities to meet emergency food needs when FPA Title II funds are not available.

USDA's Commodity Credit Corporation (CCC) may be reimbursed for the value of U.S. commodities released from the Emerson Trust from either P.L. 480 appropriations or direct appropriations for reimbursement. The CCC may then use that reimbursement to replenish commodities released. Reimbursement to the CCC for ocean freight and related non-commodity costs occurs through the regular USDA appropriations process. Appropriators have limited the amount of reimbursement for P.L. 480 activities.

## **Emergency Food Security Program (EFSP)**

USAID initiated the Emergency Food Security Program (EFSP) as a complement to the Food for Peace Title II emergency food aid program.<sup>19</sup> USAID uses funds from its International Disaster Assistance (IDA) account, authorized under the Foreign Assistance Act of 1961, to finance EFSP activities. Up to \$300 million in IDA funds were made available for the EFSP in each of FY2010 and FY2011. In FY2012 up to \$380 million of IDA funds were made available for the EFSP. Implementing partners include U.S. and foreign NGOs, cooperatives, and intergovernmental organizations. No EFSP funds have been provided via developing country governments.

EFSP uses IDA funds to finance three kinds of emergency food security assistance:

- **Local and Regional Procurement (LRP).** Funds are used to purchase food commodities within the disaster-affected country or from a nearby country for distribution in the disaster-affected country.

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<sup>18</sup> Bill Emerson, a Member of Congress from Missouri, was the ranking Member of the House Select Committee on Hunger. Additional information on the Emerson Trust is available at <http://www.fas.usda.gov/excredits/FoodAid/emersontrust.asp>.

<sup>19</sup> This discussion of USAID's Emergency Food Security Program is based on USAID's *Annual Program Statement for International Emergency Food Assistance*, issued April. 15, 2011, viewed at [http://transition.usaid.gov/our\\_work/humanitarian\\_assistance/ffp/fy11.iefsp.annstatement.pdf](http://transition.usaid.gov/our_work/humanitarian_assistance/ffp/fy11.iefsp.annstatement.pdf).



- **Cash Transfers.** Cash is provided to disaster-affected people for use in purchasing essential food items to meet their food security needs. Cash transfers can take the form of a physical payment or an electronic transfer through mobile providers or financial institutions.
- **Food Vouchers.** Local food vendors supply specific essential food items to beneficiaries through paper or electronic food vouchers.

According to USAID, it uses EFSP funds when U.S.-purchased Food for Peace Title II food aid cannot arrive fast enough to respond to an emergency or when local procurement, cash transfers, or food voucher programs may be more appropriate than U.S. in-kind food aid due to local market conditions (**Table 2** and **Table 3**).

**Table 2. Emergency Food Security Program (EFSP), FY2010-FY2012**

	FY2010	FY2011	FY2012
Program Value (\$mil)	\$244	\$232	\$374
Metric Tons of Food Delivered	278,870	191,616	177,346
Programs Funded	17	30	45
Countries Receiving Assistance	8	21	19
Beneficiaries Assisted (millions)	15.5	19.7	10.7

**Table 3. FY2011-FY2012 EFSP Breakdown**

(percent of total FY2011 spending of \$232 million and percent of FY2012 funding of \$374 million)

	FY2011	FY2012
Local/Regional Purchase	79	44
Food Vouchers	9	14
Cash Transfers	12	42

**Source:** USAID Emergency Food Security Program Fact Sheet available at [http://transition.usaid.gov/our\\_work/humanitarian\\_assistance/ffp/fy11.efsp.ofs.pdf](http://transition.usaid.gov/our_work/humanitarian_assistance/ffp/fy11.efsp.ofs.pdf) for FY2011 and for FY2012 at [https://docs.wto.org/dol2fe/Pages/FE\\_Search/FE\\_S\\_S009-1.aspx?language=E&CatalogueIdList=50985&CurrentCatalogueIdIndex=0&FullTextSearch=](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-1.aspx?language=E&CatalogueIdList=50985&CurrentCatalogueIdIndex=0&FullTextSearch=).

**Note:** For FY2012, Cost per metric ton of local and regional purchase = \$929/metric ton; Total EFSP = \$374.5; 44% (amount used for LRP) = \$164.8 million. Cost per metric ton of LRP = \$164.8 million/177346mt = \$929/metric ton.

## Issues for Congress

Food aid issues currently being debated include assuring the nutritional quality and safety of food aid products; the effects of monetization, or selling U.S. agricultural commodities to finance development projects of nongovernmental organizations; local and regional procurement of food aid commodities versus procurement in the United States; and the effects of cargo preference legislation on food aid program costs. Some of the issues were taken up and addressed in the

2012 farm bill debate. The Administration's food aid reform proposals represent another approach to addressing these issues.

## Food Aid Quality

Concerns about the nutritional quality and safety of food aid have been raised in recent analyses of U.S. food aid programs.<sup>20</sup> These studies point to reduced food aid budgets, high and volatile food prices, and frequent and protracted humanitarian emergencies as factors underlying a need for greater attention to the nutritional content of U.S. food aid.<sup>21</sup>

Historically, most U.S. food aid has been delivered in the form of general rations composed of unfortified grains and legumes (wheat, corn, sorghum, rice, soy, beans, peas, lentils, and vegetable oils). Estimates are that about 25% of the volume of U.S. food aid is in the form of fortified blended foods (FBFs).<sup>22</sup> Advances in food and nutritional sciences in recent years, including the development of improved product formulations and new products, have enhanced the capacity of food aid providers to deliver more nutritious foods to target groups such as children or lactating mothers or HIV-positive individuals. Not only have new FBF formulations been created, but also new products such as ready to use therapeutic foods (RUTFs), including lipid-based products, have been developed.<sup>23</sup>

GAO's 2011 report notes two significant challenges in delivering more nutritional products to food aid recipients. One is that specialized food products are generally more expensive than food rations used in general distribution feeding program. According to GAO, a typical ration consisting of rice, cornmeal, wheat, or sorghum can range in cost from \$0.02 per day for a 6-month old child to \$0.09 per day for a 2-year-old child. A daily ration of FBFs which includes additional fortification can cost between \$0.06 and \$0.12 per day, depending on the size of the ration. Within a fixed budget, GAO notes, providing more expensive specialized products would reduce the number of people fed.

A second challenge, according to GAO, is that U.S. food aid agencies poorly target the specialized food aid products provided. In this connection, GAO notes that USAID provides

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<sup>20</sup> U.S. Government Accountability Office (GAO), *International Food Assistance: Better Nutrition and Quality Control Can Further Improve U.S. Food Aid*, GAO-11-491, May 2011, viewed at <http://gao.gov/assets/320/318210.pdf>; and Patrick Webb et al., *Improving the Nutritional Quality of U.S. Food Aid: Recommendations for Changes to Products and Programs*; report to the U.S. Agency for International Development, prepared by Tufts University, Friedman School of Nutrition and Policy, 2011, viewed at <http://nutrition.tufts.edu/documents/ImprovingtheNutritionalQuality.pdf>.

<sup>21</sup> In addition to nutritional aspects of food aid, food aid quality also concerns food safety, sensory aspects such as taste, smell and texture, and convenience, such as ease of cooking.

<sup>22</sup> FBFs are foods that are complementary to typical rations of grains and legumes. They contain both calories and proteins and are fortified with essential micronutrients. FBFs are usually pre-cooked and are designed for use in programs where older infants and young children are being fed. For detailed information on FBFs, see World Food Programme, "Food Quality Control, Food Specifications: Blended Food Products," viewed at <http://foodquality.wfp.org/FoodSpecifications/BlendedFoodsFortified/tabid/105/Default.aspx>.

<sup>23</sup> Therapeutic foods are foods designed for specific, usually nutritional, therapeutic purposes as a form of dietary supplement. Therapeutic foods are used for emergency feeding of malnourished children or to supplement the diets of persons with special nutritional requirements, such as the elderly or HIV patients. Lipid-based products, like peanut butter-based Plumpy'Nut or Plumpy'Doz, are RUTFs used widely in child feeding programs.



implementing partners with **limited guidance** on how to target more nutritious foods to ensure they reach intended recipients.

GAO recommends that USAID and USDA issue guidance to implementing partners on addressing nutritional deficiencies, especially during protracted emergencies, and evaluate the performance and cost effectiveness of specialized food products. The Tufts report to USAID suggests, among other recommendations, that the agency should adopt new specifications for FBFs and explore the use of new products such as new lipid-based products; provide new program guidance to implementing partners; and convene an interagency food aid committee to provide technical guidance about specialized products and to interface with industry and implementing partners.

## Monetization

Monetization (selling in local or regional markets) of food aid commodities has become a controversial issue. As mentioned above, food aid legislation allows PVOs and cooperatives to sell donated P.L. 480 commodities in the recipient country or in countries in the same region, in an amount not less than 15% of the aggregate amounts of all commodities distributed under Title II nonemergency programs for each fiscal year. The funds generated by these sales can then be used to finance internal transportation, storage, or distribution of commodities; or to implement development projects; or can be invested, and the interest earned can be used to finance distribution costs or projects.

Many organizations that rely on sales of U.S. food aid commodities to finance development projects support monetization as their major source of development finance. A large PVO, CARE International, however, has questioned the use of monetization as a source of funds, as some critics of the practice argue that it stymies the development of local agricultural markets and hurts economic development in the longer term.<sup>24</sup> In the summer of 2007, CARE, which had been a major supporter of monetization in the past, announced that it would transition away from the practice of monetization and refuse food commodity donations worth tens of millions of dollars. **According to CARE, monetization is management-intensive and costly and fraught with legal and financial risks.** In addition, CARE viewed monetization as **economically inefficient.** As CARE notes in its food policy paper, “Purchasing food in the U.S., shipping it overseas, and then selling it to generate funds for food security programs is far less cost-effective than the logical alternative—simply providing cash to fund food security programs.” Finally, echoing criticisms of food aid heard in WTO Doha Round negotiations, **CARE notes that when monetization involves open-market sale of commodities to generate cash, which is almost always the case, it inevitably causes commercial displacement.** As such, it **can be harmful to traders and local farmers and undermine the development of local markets,** and can be detrimental to longer-term food security objectives. Another PVO, **Catholic Relief Services, has taken a similar position with respect to monetization, but has not yet decided to transition away from the practice completely.** According to a recent policy declaration, Catholic Relief Services recognizes that selling commodities (monetization) is an inefficient method of obtaining funding.<sup>25</sup> As a consequence, the organization states, it sells commodities only when it has determined that there are no

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<sup>24</sup> See *White Paper on Food Aid Policy*, CARE USA, June 6, 2006, at [http://www.care.org/newsroom/articles/2005/12/food\\_aid\\_whitepaper.pdf](http://www.care.org/newsroom/articles/2005/12/food_aid_whitepaper.pdf).

<sup>25</sup> See Catholic Relief Services, *The International U.S. Food Aid Program*, viewed at <http://crs.org/public-policy/pl-480-title-ii.cfm>.

alternative methods of funding and that the sale of the commodities will have no negative impacts on local markets and local production. Catholic Relief Services says that its policy is to seek to replace monetization with cash funding to cover program costs.

Program assessments by GAO have documented some of the inefficiencies associated with monetization. For example, a 2011 GAO study supports the claim that monetized food aid has the potential to displace commercial trade in recipient countries. Despite legislation that imposes assessments of a country's usual marketing requirements (UMRs) and analyses (Bellmon analyses) of the impact of food aid on local markets,<sup>26</sup> GAO and others report that there nevertheless is significant evidence of negative effects on local markets.<sup>27</sup> Using data from 2008-2011, GAO found that in more than a quarter of countries reviewed, monetized food aid comprised more than 25% of the commercial import volume of specific commodities in recipient countries. In half of these cases, the volume of monetized food exceeded reported commercial imports of the particular commodity by over 100%. GAO also has reported that the average "cost recovery" (the difference between the amount of appropriated funds used to purchase the commodities and the proceeds available for development projects from monetization) ranges from 58% to 76% in USDA- and USAID-sponsored projects, respectively.

On the other hand, some research has found that targeted monetization, as opposed to open market sales to generate cash, can be used as a means to develop capacity of smaller traders to participate in markets, increasing competition and /or combatting price volatility.<sup>28</sup> A survey of U.S. and other food aid programs over a 50-year period suggests, however, that examples of targeted monetization, as opposed to open market sales to generate cash, are few.<sup>29</sup>

A recent report, commissioned by the Alliance for Global Food Security,<sup>30</sup> evaluated food aid monetization cases in five developing countries.<sup>31</sup> The purpose of the study was to determine whether and how monetization adds value and creates benefits besides generating funds for conducting development activities. The evaluation's conclusion is that "monetization can lead to benefits beyond those that would be created via direct program funding by addressing credit, hard currency, small volume, and other constraints to buying on the international market, thereby creating business opportunities and increasing the availability of the commodity in the recipient country."<sup>32</sup>

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<sup>26</sup> UMR analyses are undertaken to ensure that U.S. food aid commodities will not affect world commodity prices and/or disrupt commercial trade; Bellmon analyses are used to determine if U.S. food aid shipments will interfere with recipient country production or marketing and if there is adequate storage available in the recipient country.

<sup>27</sup> GAO, *International Food Assistance: Funding Development Projects through the Purchase, Shipment and Sale of U.S. Commodities is Inefficient and Can Cause Adverse Market Impacts*, GAO-11-636, June 2011; and C. B. Barrett and Daniel G. Maxwell, *Food Aid after Fifty Years: Recasting Its Role*, London and New York: Routledge, 2005, pp. 133-138.

<sup>28</sup> See A. Abdulai, C. B. Barrett, and P. Hazell, "Food Aid for Market Development in Sub-Saharan Africa," DSGD Working Paper No. 5, International Food Policy Research Institute, viewed at <http://www.ifpri.org/sites/default/files/publications/dsgdp05.pdf>.

<sup>29</sup> GAO and Barrett and Maxwell, op. cit.

<sup>30</sup> The Alliance for Global Food Security consists of 14 PVOs, cooperatives, and a hunger advocacy group who are involved in U.S. food assistance programs. The organizations are listed at <http://foodaid.org/about/>.

<sup>31</sup> Informa Economics, *The Value of Food Aid Monetization: Benefits, Risks and Best Practices*, prepared for the Alliance for Global Food Security, November 2012, viewed at <http://foodaid.org/news/wp-content/uploads/2012/11/Informa-Economics-Study-Value-of-Food-Aid-Monetization-November-2012.pdf>.

<sup>32</sup> *Ibid.*, p. 2.

## Local or Regional Procurement (LRP)

The U.S. food aid program is often criticized as an inefficient way to meet the objectives of relieving emergency food needs or fostering economic and agricultural development in receiving countries. Critics point to delayed arrivals of up to four months or more when U.S. commodities are shipped in response to emergency situations. Moreover, ocean transportation costs can be high. A recent GAO report concluded that between 2001 and 2008, WFP food aid obtained by local procurement reduced costs and improved timeliness of delivery, relative to similar food aid that USAID purchased and shipped from the United States to the same countries.<sup>33</sup> In FY2006, USAID estimated that almost half of its food aid allocations went to paying the cost of transportation (ocean transport and internal shipping costs).<sup>34</sup> Ocean freight rates vary from year to year, but paying such costs is one reason that both USDA and USAID in various budget requests proposed the allocation of some portion of funds available to Title II emergency programs to purchase commodities in areas near the emergency. The Administration argues that with local or regional purchase, not only could more food be purchased at lower prices, but the food could be delivered more rapidly. Congressional and other critics of local purchase maintain that allowing non-U.S. commodities to be purchased with U.S. funds would result in undermining the coalition of commodity groups, PVOs, and shippers that support the program, and in reductions in U.S. food aid.<sup>35</sup> Critics of local or regional procurement also argue that buying locally or regionally could result in price spikes that would make it difficult for poor people to buy the supplies they need on local markets. Some also argue that the reliability and quality of food supplies could not be guaranteed with local or regional procurement.

In 2008, the Bush Administration proposed that Congress provide legislative authorization in the farm bill to use up to 25% of funds available annually to P.L. 480, Title II, to procure food from selected developing countries near the site of a crisis. The Administration justified this proposal on the grounds that the U.S. response to food emergencies would be more efficient and cost-effective if commodities could be procured locally. The Administration's budget request cited instances in which the U.S. food aid response to emergencies would have been enhanced with this kind of authority, particularly for Iraq in 2003, the Asian tsunami in 2004, Southern and West Africa in 2005, and East Africa in 2006. The Administration was careful to note that "U.S. grown food will continue to play the primary role and will be the first choice in meeting global needs." Local and regional purchases would be made only where the speed of the arrival of food aid is essential, according to USDA.

The 2008 farm bill (P.L. 110-246) included a scaled-down version of the Bush Administration's proposal for legislative authority to use up to \$300 million of appropriated P.L. 480 Title II funds for local or regional purchase of emergency food aid. The farm bill provided that a pilot project be conducted by the Secretary of Agriculture with a total of \$60 million in mandatory funding

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<sup>33</sup> GAO concluded that local procurement was less costly in sub-Saharan Africa and Asia by 34% and 29%, respectively, and reduced aid delivery time by over 100 days for many countries in sub-Saharan Africa. See U.S. Government Accountability Office, *Local and Regional Procurement Can Enhance the Efficiency of U.S. Food Aid, But Many Challenges May Constrain Its Implementation*, GAO-09-570, May 2009, <http://www.gao.gov/new.items/d09570.pdf>.

<sup>34</sup> See USAID FY2006 Congressional Budget Justification at [http://www.usaid.gov/policy/budget/cbj2006/pdf/fy2006summtabs6\\_PL480TitleII.pdf](http://www.usaid.gov/policy/budget/cbj2006/pdf/fy2006summtabs6_PL480TitleII.pdf).

<sup>35</sup> See H.Rept. 109-255 on H.R. 2744, the FY2006 Agriculture Appropriations Act.

(not from P.L. 480 appropriations) during FY2009-FY2012 (see “Local and Regional Procurement Pilot Project (LRPP)” above).

Since 2002, appropriations for Title II of the Food for Peace Act have averaged \$2 billion annually, none of which could be used to purchase foreign-grown food. However, from 2001 to 2008, through programs funded under a different authority, the Foreign Assistance Act, the U.S. government provided approximately \$220 million in total cash contributions to WFP that were used to purchase foreign-grown commodities. In addition, in supplemental appropriations for FY2008 and FY2009, Congress provided USAID with \$125 million for LRP.

Recent evaluations of LRP projects confirm that LRP can lower the costs of providing food aid in emergency situations and improves the timeliness of assistance in most settings.<sup>36</sup> While establishing that LRP is a useful tool for responding to humanitarian needs, evaluations of U.S. and other LRP projects suggest that it is not a one-size fits all substitute for other forms of assistance. Further, while there are clear advantages of LRP over in-kind food aid in many situations, these evaluations maintain that such procurement should be accompanied by careful assessment and monitoring to ensure that concerns about food quality, local market disruption, and assuredness of supply are addressed.

## Cargo Preference

The cargo preference issue also is related to the question of the cost-effectiveness of providing U.S. commodities as food aid. Ocean transport of government-generated shipments is governed by the Cargo Preference Act, P.L. 83-644 (August 26, 1954). This act contains permanent legislation concerning the transportation of waterborne cargoes in U.S.-flag vessels. An amendment to the act in 1985 increased from 50% to 75% the volume of U.S. agricultural commodities financed under U.S. food aid programs that must be shipped on U.S.-flag vessels. The Commodity Credit Corporation pays the additional freight charges and the Maritime Administration (MARAD) of the Department of Transportation reimburses the CCC for the “excess” ocean freight costs incurred by complying with the additional 25% requirement. Excess costs are incurred because freight rates on U.S.-flag vessels are generally higher than on foreign commercial ships. Among the law’s objectives are to ensure the retention of military-capable commercial U.S.-flag vessels and to maintain employment for American maritime workers.

Maritime interests generally support cargo preference, but critics argue that it increases the costs of shipping U.S. commodities to poor countries and potentially reduces the volume of food aid provided. A 1994 GAO report found that shipments of food aid on U.S.-flag vessels did little to meet the law’s objective of helping to maintain a U.S. merchant marine and those cargo

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<sup>36</sup> Fisher, J. L. “USDA Local and Regional Procurement Pilot Project: Updates and Next Steps,” presentation to the LRP Learning Alliance Lessons Learned Workshop, September 19-22, 2011, Nairobi, Kenya, viewed at [https://sites.google.com/site/lrplearningalliance/usda-lrp-learning-event-september-2011-nairobi/USDA\\_Slides\\_for\\_Learning\\_Alliance\\_Workshop%28FINAL%29.ppt?attredirects=0&d=1](https://sites.google.com/site/lrplearningalliance/usda-lrp-learning-event-september-2011-nairobi/USDA_Slides_for_Learning_Alliance_Workshop%28FINAL%29.ppt?attredirects=0&d=1); Erin C. Lentz, Simone Passarelli, Christopher B. Barrett, “The Timeliness and Cost-Effectiveness of the Local and Regional Procurement of Food Aid,” February 2012, viewed at [http://dyson.cornell.edu/faculty\\_sites/cbb2/Papers/LRP%20Ch%202%20Lentz%20et%20al%20Jan%2011%202012%20\(1\).pdf](http://dyson.cornell.edu/faculty_sites/cbb2/Papers/LRP%20Ch%202%20Lentz%20et%20al%20Jan%2011%202012%20(1).pdf); Erin C. Lentz, Christopher B. Barrett and Miguel I. Gómez, “The Impacts of Local and Regional Procurement of US Food Aid: Learning Alliance Synthesis Report,” viewed at [http://dyson.cornell.edu/faculty\\_sites/cbb2/Papers/LRP%20Ch%202%20Lentz%20et%20al%20Jan%2011%202012%20\(1\).pdf](http://dyson.cornell.edu/faculty_sites/cbb2/Papers/LRP%20Ch%202%20Lentz%20et%20al%20Jan%2011%202012%20(1).pdf).

preference requirements adversely affected operations of the food aid programs, chiefly by raising the cost of ocean transportation and reducing the volume of commodities that can be shipped.<sup>37</sup>

An analysis in 2010 of the effects of cargo preference requirements on food aid programs found that they did not succeed in meeting the law's objectives of maintaining a U.S. merchant marine and that eliminating cargo preference could enable an increase in food aid commodities provided.<sup>38</sup>

The recently enacted Moving Ahead for Progress in the 21<sup>st</sup> Century Act (MAP-21, H.R. 4348, P.L. 112-141), which, among other things, reauthorizes the Highway Trust Fund, repeals the 1985 amendment to the cargo preference act, thus reducing the volume of food aid commodities that must be shipped on U.S. flag-vessels from 75% to 50%. Enacted as a cost-saving measure, the repeal, according to CBO estimates, would result in deficit reductions of \$108 million annually or \$540 million over the period 2012-2017.<sup>39</sup> While U.S. food aid agencies (USDA and USAID) would likely spend less on shipping food aid commodities, the effect of the repeal on the volume of U.S. commodities provided as food aid would be sensitive to fluctuating commodity prices and commercial ocean freight rates.

Legislation was introduced in the House (H.R. 6170) in the 112<sup>th</sup> Congress to repeal the reduction in the cargo preference requirement in P.L. 112-41 and to reinstate the provision requiring that 75% of U.S. food aid be shipped on U.S.-flag vessels. No action was taken.

## Funding of Food Aid and The Administration's Food Aid Reform Proposal

Some of USDA's international activities (Food for Peace Act, McGovern-Dole Food for Education program, and the operations of the FAS itself) are funded through annual Agriculture appropriations acts. Funding for other foreign food aid programs (e.g., Food for Progress, Bill Emerson Humanitarian Trust) is authorized in farm bills and financed through the borrowing authority of USDA's Commodity Credit Corporation (CCC). Congress has occasionally applied limits to spending on these mandatory programs in annual appropriations acts.

Funding for the Emergency Food Security Program (EFSP) is included in USAID's International Disaster Assistance (IDA) account, which is authorized in annual State Department and Foreign Operations appropriations.

**Table 4** provides program levels for USDA-funded international food aid programs for FY2003-FY2014 (requested). Average annual spending on international food aid programs over 2002-2011 (not including FAS) was approximately \$1.8 billion, with Food for Peace activities comprising the largest component.

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<sup>37</sup> GAO, Cargo Preference Requirements: Objectives Not Met When Applied to Food Aid Programs, September 29, 1994, available at <http://archive.gao.gov/t2pbat2/152624.pdf>.

<sup>38</sup> Elizabeth R. Bageant, Christopher B. Barrett, and Erin Lentz, "Food Aid and Agricultural Cargo Preference," Policy Brief, Cornell University, Charles H. Dyson School of Applied Economics and Management, November 2010, viewed at [http://dyson.cornell.edu/faculty\\_sites/cbb2/Papers/ACP\\_-\\_policy\\_brief\\_Nov\\_2010\\_Final.pdf](http://dyson.cornell.edu/faculty_sites/cbb2/Papers/ACP_-_policy_brief_Nov_2010_Final.pdf).

<sup>39</sup> Congressional Budget Office, Cost estimate of H.R. 4348, MAP-21, June 29, 2012, viewed at <http://cbo.gov/sites/default/files/cbofiles/attachments/hr4348conference.pdf>. Cost savings result from a reduction in the reimbursement the Maritime Administration (MARAD) makes to the CCC for costs due to higher freight rates on U.S.-flag vessels.

**Table 4. International Food Aid Program Levels, FY2003-FY2014 (Requested)**  
(\$ millions)

Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (est.)	2014 (req.)
<b>Food for Peace (Title II)</b>	1,960	1,809	2,115	1,829	1,787	2,061	2,321	1,690	1,497	1,466	1,475	0
<b>Section 416(b)</b>	213	19	76	20	0	0	0	0	0	0	0	0
<b>Food for Progress</b>	137	138	122	131	147	220	216	148	162	246	255	255
<b>McGovern- Dole IFEC</b>	100	50	90	96	99	99	100	210	199	184	185	185
<b>Local &amp; Regional Procurement Pilot</b>	—	—	—	—	—	0	5	25	23	5	0	0
<b>TOTAL</b>	2,410	2,016	2,403	2,076	2,033	2,380	2,642	2,073	1,881	1,825	1,754	440

**Source:** USDA, *Annual Budget Summary*, various years. These data are program levels (i.e., the value of goods and services provided in a fiscal year) not appropriated amounts. The FY2014 budget request proposes to replace funding for Food for Peace (P.L. 480) Title II food assistance with an equivalent amount in three USAID assistance accounts: Development Assistance (DA), Community Development and Resilience Fund (CDRF), and Emergency Food Assistance Contingency Fund (EFAC).

## FY2014 Budget Request: USAID's Reform Proposals<sup>40</sup>

### The Proposal

In its FY2014 budget request, the Administration proposes to replace funding previously requested for Food for Peace (P.L. 480) Title II, estimated at \$1.47 billion annually, with an equivalent amount divided among three USAID assistance accounts. Accordingly, the President's budget:

- ***Shifts \$1.1 billion to International Disaster Assistance (IDA) for emergency food response.*** This shift would augment IDA's Emergency Food Security Program, previously described, which provides up to \$300 million for cash-based food security assistance (e.g., local and regional procurement, vouchers, or cash transfers). The total available for IDA emergency food security assistance would be \$1.4 billion.
- ***Shifts \$250 million to Development Assistance (DA) for a Community Development and Resilience Fund (CDRF).*** The CDRF would address chronic food insecurity in area of recurrent crises such as in the Horn of Africa or the West African Sahel. The CDRF also would receive \$80 million of DA from

<sup>40</sup> See USAID's Food Aid Reform website for more discussion of the proposal at <http://www.usaid.gov/foodaidreform>.



USAID's Bureau of Food Security, which administers the Feed the Future program. Total funding for this program would be \$330 million.

- ***Shifts \$75 million to a new Emergency Food Assistance Contingency Fund (EFAC).*** EFAC would serve as a fund to provide emergency food assistance for unexpected and urgent food needs.

"Efficiency savings" obtained from the transfer of Food for Peace funds would be devoted to an increase of \$25 million to the Maritime Security Program (MSP), administered by the Maritime Administration (MARAD) in the Department of Transportation. Efficiency savings would come from shipping fewer commodities overseas. The MSP program subsidizes the retention of militarily useful U.S. flag vessels and provides incentives to facilitate the retention of mariners in the workforce.

USAID argues that the shifts proposed will result in gains of flexibility, timeliness, and efficiency in the provision of emergency food aid. Rather than a commodity-only response, USAID could select from a menu of options that could include local or regional procurement in countries or regions where food aid emergencies are occurring and other forms of cash-based assistance like food vouchers or cash transfers. According to USAID, research has shown that cash-based food security assistance can get food to people in critical need 10-14 weeks faster than commodity shipments from the United States.

The CDRF would continue to engage U.S. private voluntary organizations (PVOs) as implementing partners of nonemergency development programs. Under current law PVOs are guaranteed \$400 million worth of commodities (the so-called "safe box") which they can monetize to finance development projects. USAID maintains that the \$330 million in the CDRF is the equivalent of the safe box guarantee because of cost savings associated with the end of monetization. With the cash-funded CDRF, PVOs would no longer have to monetize commodities to finance nonemergency food aid projects. USAID cites GAO's estimate that, because of the transactions involved, monetization costs an average of 25 cents for each dollar of food aid monetized. Not only is monetization a money-losing proposition, USAID argues, but by ending it, U.S. development food assistance could reach an estimated 800,000 more malnourished people. PVOs also would no longer incur administrative costs involved in negotiating the sale and transportation of commodities to be monetized.

According to USAID, the food aid reform proposal would guarantee that in FY2014 no less than 55% of the requested \$1.4 billion for emergency food assistance would be used for procurement, transport, and related costs of U.S. commodities. Going forward, USAID says that U.S. commodities would continue to make up a significant portion of purchases, especially for many processed foods and bulk commodity procurements, which might not be available elsewhere in the world. Further, inflation concerns or food price volatility may make U.S. commodities a more feasible option.

As discussed elsewhere in this report, cargo preference laws require that 50% of U.S. food aid be shipped on U.S.-flag vessels. USAID acknowledges that the food aid reforms proposed would reduce the amount of government food aid carried on U.S.-flag vessels, many of which are used by the Department of Defense to sustain overseas operations. The proposed allocation of \$25 million to the Maritime Security Program (MSP) of "efficiency savings" obtained from the reforms would help to mitigate the potential negative impact of reduced U.S. shipments. Increasing the direct subsidies to the maritime sector with additional MSP funding is intended to

help retain militarily useful U.S.-flag vessels and facilitate the retention of mariners in the workforce.

## **Criticisms of the Proposal**

Critics of the Administration's food aid reform proposal include the Alliance for Global Food Security, an organization representing 13 PVOs that have been involved in implementing Food for Peace nonemergency programs and one group that advocates for U.S. food aid policies. The U.S. maritime sector also has criticized the Administration's food aid proposal.

In response to the Administration proposal, the Alliance for Global Food Security has made its own set of proposals for U.S. food aid.<sup>41</sup> The Alliance recommends that, during congressional deliberations on a new farm bill and the FY2014 Agriculture appropriations, there be no changes in the structure, objectives, and funding of existing food aid programs. The Alliance also recommends the continuation of the current food aid procurement system, rather than using previously requested Food for Peace appropriations for non-U.S. commodity procurement. Successful elements of the U.S. procurement system, according to the Alliance, include early warnings, competitive bidding for commodities, monitoring of orders and deliveries, and pre-positioning overseas of U.S. commodities. The Alliance also lists as a successful component of the U.S. food aid procurement system the use of IDA funds for local/regional procurement or cash-based assistance pending arrival of either pre-positioned Food for Peace commodities or deliveries of commodities from the United States. The Alliance supports increased funding "as needed" for IDA-funded cash-based food security assistance.

Monetization, the Alliance believes, is an important mechanism for addressing food gaps in net food-importing developing countries. It recommends this option be retained along with the retention of the "safe box" for Food for Peace Title II nonemergency food aid. Based on case studies in five countries with monetization programs, the Alliance maintains that the practice provides benefits other than the cash generated to finance PVO projects.<sup>42</sup> Those include increasing economic activity, and addressing credit, hard currency, or small-volume constraints that limit procurement of sufficient food supplies on international markets. An Alliance recommendation related to monetization is that USAID's Development Assistance (DA) funds be used to support Food for Peace Title II development programs where monetization is not "feasible or appropriate."

USA Maritime, an organization that represents shipper and maritime unions, issued a statement on the Administration's proposed food aid changes on April 24, 2013.<sup>43</sup> The organization opposes transforming the current food aid programs from a commodity-based to a cash-based program. Among its criticisms is that doing so would put at risk a food aid program that has the support of farmers, international relief and development organizations, ports, and inland and ocean transporters. USA Maritime also argues that the cargo preference accorded U.S. food aid exports contributes to the maintenance and retention of a strong merchant marine. In addition, USA

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<sup>41</sup> Alliance for Global Food Security, "Briefing Paper: Recommended Components of a Food Aid Reform Package," April 10, 2013, viewed at <http://foodaid.org/news/wp-content/uploads/2013/04/AGFS-Food-Aid-Reform-Recommendations-4-10-13.pdf>.

<sup>42</sup> Informa Economics, *op.cit.*

<sup>43</sup> USA Maritime, "Statement of USA Maritime on Proposed Changes to the Food for Peace Program (PL-480)," April 24, 2013, viewed at <http://bridgedeck.org/forms/USA-Maritime-Food-for-Peace-press-release-24-April-2013.pdf>.



Maritime cites a report it commissioned on the economic impacts of U.S. international food aid, which shows that the combination of handling, processing, and transporting U.S. commodities all the way from the farm to foreign ports supported \$2 billion of U.S. industry output, \$523 million in household earnings, and over 13,000 jobs in 2009.<sup>44</sup>

Catholic Relief Services (CRS), another PVO that has implemented Food for Peace emergency and nonemergency food aid programs but is not a member of the Alliance for Global Food Security, has been supportive of the Administration's proposal.<sup>45</sup> However, Catholic Relief Services' support is contingent on there being a long-term authorization of the reforms, not an annual appropriation. Catholic Relief Services' public donor group director indicated in a press briefing that "the set of reforms offers a great deal of flexibility and ways to make food aid programming more efficient and to enable us to use our local purchase mechanism to support the local farmer and household which needs food ... [b]ut the concern we are raising is that there's got to be an authorizing framework in place to make sure that it's a consistent program available year upon year."

Prior to the release of the Administration's proposal, a group of 70 organizations who support the current food aid program wrote the President a letter urging continuation of the Food for Peace and other U.S. food aid programs.<sup>46</sup> The group argued that the programs enjoy a broad coalition of bipartisan support, demonstrate the effectiveness of a broad-based public-private partnership, create jobs and economic activity in the United States, support the U.S. Merchant Marine, and sustain a domestic constituency for food aid "not easily replicated in alternative foreign aid programs."

## **Jurisdictional Issues**

USAID's food aid reform proposal raises issues of congressional committee and subcommittee jurisdiction over food aid appropriations and authorizing legislation. In the Senate, food aid authorizing legislation has been with the Agriculture, Nutrition and Forestry Committee, while appropriations jurisdiction has been with the Agriculture Appropriations Subcommittee. In the House, jurisdiction over authorizing legislation has been with the Agriculture Committee, periodically shared with the Foreign Affairs Committee. Appropriations have been in the purview of the Agriculture Appropriations Subcommittee. Shifting food aid funding to programs authorized in foreign assistance legislation (e.g., IDA and DA) as proposed by the Administration suggests that responsibility for food aid appropriations would be shifted to Foreign Operations Appropriations Subcommittees in both chambers and that, going forward, authorizing legislation would become the responsibility of House Foreign Affairs and Senate Foreign Relations Committees.

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<sup>44</sup> Promar International, *Impacts on the U.S. Economy of Shipping International Food Aid*, a report prepared for USA Maritime, June 2010, viewed at [http://mebaunion.org/WHATS-NEW/Food\\_Aid-April\\_2010.pdf](http://mebaunion.org/WHATS-NEW/Food_Aid-April_2010.pdf).

<sup>45</sup> "Catholic agency hopes for lasting food aid reform," posted by CNA Daily News on April 21, 2013, viewed at <http://www.dfwcatholic.org/catholic-agency-hopes-for-lasting-food-aid-reform-51941/.html>.

<sup>46</sup> Letter to the President from 70 NGO and industry associations in support of current food aid programs, February 21, 2013, viewed at [http://www.acdivoca.org/site/Lookup/Support-for-US-Food-Aid-Letter-to-the-President/\\$file/Support-for-US-Food-Aid-Letter-to-the-President.pdf](http://www.acdivoca.org/site/Lookup/Support-for-US-Food-Aid-Letter-to-the-President/$file/Support-for-US-Food-Aid-Letter-to-the-President.pdf).

## 2013 Farm Bill Food Aid Proposals

International food aid programs have been authorized in farm bills (with the exception of the Emergency Food Security Program, which is authorized in the Foreign Assistance Act of 1961, as amended).<sup>47</sup> The 112<sup>th</sup> Congress did not complete action on a 2012 farm bill to replace the expired 2008 farm bill (P.L. 110-240). Instead, Congress extended the 2012 farm bill, including its food aid provisions, until September 30, 2013.<sup>48</sup>

The 113<sup>th</sup> Congress has begun deliberation on a 2013 farm bill. The Senate Agriculture Committee reported its 2013 farm bill, S. 954, on May 14, 2013. The committee made no changes in the food aid and trade title that was included in the Senate-passed 2012 farm bill, S. 3240. Similarly, the House version of the 2013 farm bill, H.R. 1947, reported by the committee on May 16, 2013, made no changes in the 2012 Agriculture Committee-passed bill, H.R. 6083. Markup of the House bill was held May 15.

Title III of both versions of the 2013 farm bill deals with statutes concerning U.S. international food aid. Both S. 954 and H.R. 1947, as reported, reauthorize funding for all of USDA's international food aid programs, including the largest, Food for Peace Title II (emergency and nonemergency food aid). Both bills contained amendments to current food aid law that place greater emphasis on improving the quality of food aid products (i.e., enhancing their nutritional quality).

The Senate Committee-reported bill places new restrictions on the practice of monetization, or selling U.S. food aid commodities in recipient countries to raise cash to finance development projects. In this regard, S. 954 requires implementing partners such as U.S. PVOs or cooperatives to recover 70% of the U.S. commodity procurement and shipping costs. The Senate bill repeals the specified dollar amounts for nonemergency food aid required in current law (the "safe box"). In place of the safe box, S. 954 provides that nonemergency food aid be not less than 20% nor more than 30% of funds made available to carry out the Food for Peace program, subject to the requirement that a minimum of \$275 million be provided for nonemergency food aid. The House bill places no limits on the practice of monetization, other than new reporting requirements, and fixes the amount of "safe box" nonemergency assistance at \$400 million annually.

The Senate farm bill creates a new local and regional purchase program in place of the expired local and regional procurement pilot program of the 2008 farm bill. S. 954 authorizes an appropriation of \$40 million annually from FY2014 through FY2018. H.R. 1947, as introduced, does not include an LRP program.

A detailed CRS side-by-side comparison of Senate and House versions of the 2013 farm bill is forthcoming.

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<sup>47</sup> P.L. 87-195.

<sup>48</sup> P.L. 112-240, signed by the President on January 2, 2013.

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