



International Food Aid Programs: Background and Issues

Melissa D. Ho

Analyst in Agricultural Policy

Charles E. Hanrahan

Senior Specialist in Agricultural Policy

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Summary

For over 55 years, the United States has played a leading role in global efforts to alleviate hunger and malnutrition and to enhance world food security through international food aid activities. The development and implementation of a U.S. global food security initiative, and commitments made by global leaders to support agricultural development, have increased Congress's focus on U.S. international food aid programs. The primary 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. The United States provides food aid for emergency food relief and to support development projects.

The 2008 farm bill, the Food, Conservation, and Energy Act of 2008 (P.L. 110-246), authorizes through FY2012 and amends international food aid programs. These programs are primarily funded through the U.S. Department of Agriculture (USDA) and are administered either by USDA's Foreign Agricultural Service (FAS) or by the U.S. Agency for International Development (USAID). Federal foreign food aid is distributed primarily through five program authorities: the Food for Peace Act (P.L. 480), which includes four primary programs; 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, which is a newly created pilot in the 2008 farm bill. In addition, the 2008 farm bill also reauthorizes the Bill Emerson Humanitarian Trust (BEHT), a reserve of commodities and cash for use in the Food for Peace programs to meet food aid needs.

Average annual spending on international food aid programs over the past decade is approximately \$2.2 billion, with Food for Peace Title II activities comprising the largest portion of the total budget (about 50%-90% of the total food aid budget annually over the past decade). In recent years, the volume of Title II emergency food aid has exceeded the amount of non-emergency or development food aid. The 2008 farm bill provides for a "safe box" for funding of non-emergency development assistance projects under Title II, which begins at \$375 million in FY2009 and goes up to \$450 million in FY2012, though this requirement can be waived by the Secretary of Agriculture if certain criteria are met. The 2008 farm bill also maintains funding for the McGovern-Dole International Food for Education and Child Nutrition program on a discretionary basis, and authorizes \$60 million 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.

Issues for Congress related to food aid include improving aid effectiveness; developing "demand-driven" strategies that take into account the recipient country's needs and strategic plans for food security; determining the best form for providing food aid and assistance, whether in the form of cash or commodities (e.g. deciding whether to allow the practice of monetization and determining how best to implement an effective local and regional procurement strategy); and determining the cost-effectiveness of U.S. cargo preferences for delivering U.S. food aid.

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Background

For over 55 years, the United States has played a leading role in global efforts to alleviate hunger and malnutrition and to enhance world food security through international food aid activities. The United States provides food aid for emergency food relief and to support development projects. The recent development of a U.S. global food security initiative by the Obama Administration, along with commitments made by global leaders to support agricultural development, have increased Congress's focus on U.S. international food aid programs.¹ USDA contributes to these efforts by carrying out a variety of food aid and assistance programs that aim to support economic growth and development in recipient countries.

The U.S. government provides food assistance primarily through five program authorities:

- Food for Peace Act (P.L. 480);²
- 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; and
- Local and Regional Procurement Pilot Project.

The 2008 farm bill, the Food, Conservation, and Energy Act of 2008 (P.L. 110-246), authorizes through FY2012 and amends international food aid programs funded by the U.S. Department of Agriculture (USDA).³ These programs are administered either by USDA's Foreign Agricultural Service (FAS) or by the U.S. Agency for International Development (USAID).⁴ In addition, the 2008 farm bill also reauthorizes the Bill Emerson Humanitarian Trust (BEHT), a reserve of commodities and cash for use in the Food for Peace programs to meet food aid needs.⁵ **Table 1** lists the year each program was officially authorized, and the managing agency for each of the U.S. foreign food aid programs.

¹ For more about the U.S. Global Food Security Initiative, see CRS Report R40945, *The U.S. Global Food Security Initiative: Issues for Congress*, by Charles E. Hanrahan and Melissa D. Ho.

² 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).

³ For specific 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; for more general information about farm bill provisions, see CRS Report RL34696, *The 2008 Farm Bill: Major Provisions and Legislative Action*, coordinated by Renée Johnson.

⁴ An overview of the Foreign Agricultural Service is available at <http://www.fas.usda.gov/aboutfas.asp>; an overview of the U.S. Agency for International Development is available at http://www.usaid.gov/our_work/.

⁵ 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. 101-585).

Table I. U.S. International Food Assistance Programs

Program	Year Began	Managing Agency
P.L. 480, Title I Trade & Econ Development Asst	1954	FAS
P.L. 480, Title II Emergency & Development Asst	1954	USAID
P.L. 480, Title III Food for Development	1990	USAID
P.L. 480, Title V Farmer-to-Farmer	1985	USAID
Section 416(b)	1949	FAS
Food for Progress	1985	FAS
McGovern-Dole IFECN	2003	FAS
Local & Regional Procurement Pilot Program	2008	FAS
Bill Emerson Humanitarian Trust	1980	FAS

Source: CRS.

Program Descriptions

Food for Peace Act (P.L. 480)⁶

The Food for Peace Act (FPA), commonly referred to as P.L. 480, is the primary legislative vehicle that authorizes foreign food assistance. Over the past decade, FPA typically accounts for 50%-90% of USDA's total annual international food aid budget. FPA food aid has several stated objectives, including improving global food security and nutrition; promoting sustainable agricultural development; expanding international trade for U.S. commodities; and fostering private sector and market development. FPA is comprised of four primary programs, which are each listed under a different title and have different objectives. The FPA components include

- Trade and Economic Development Assistance, Title I, which makes available long-term, low-interest loans or grants to developing countries and private entities for their purchase of U.S. agricultural commodities to support specific projects;
- Emergency and Development Assistance, Title II, which provides for the donation of U.S. agricultural commodities to meet emergency and non-emergency food needs;
- Food for Development, Title III, which makes government-to-government grants available to support long term growth in the least developed countries; and
- Farmer-to-Farmer, Title V, which offers technical assistance to farmers, farm organizations, and agribusinesses in developing and transitional countries.⁷

⁶ Additional information on Food for Peace Act (P.L. 480) food aid is available at <http://www.fas.usda.gov/food-aid.asp>.

⁷ The FtF Program began in 1985 with congressional authorization of the Agricultural Development and Trade Act.

Title I of the Food for Peace Act is administered by USDA, while Titles II, III, and V are administered by USAID.⁸ Over the past ten years, Title II has become the primary source of 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% in inflation-adjusted terms. At the same time, emergency and development food aid under Title II has increased significantly since the early 1990s, when strengthening global food security was made a formal objective of American food aid. Beginning with FY2006, USDA has not requested funding for Title I food aid. Title III has also been inactive in recent years.

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 extends the authority of the FACG to 2012, and requires that a representative of the maritime transportation sector be included in the group, which currently consists of the USAID Administrator, the Under Secretary of Agriculture for Farm and Foreign Agricultural Services, the Inspector General of Agriculture for Farm and Foreign Agricultural Services, the Inspector General for USAID, a representative of each PVO and cooperative participating in FPA programs, representatives from African, Asian, and Latin-American indigenous NGOs determined appropriate by the Administrator, and representatives from agricultural producer groups in the United States.

Title I, Trade and Development Assistance

The Trade and Economic Development Assistance program, Title I, provides for sales on credit or grant terms of U.S. agricultural commodities to developing country governments and (in rare instances) to private entities. 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 funding for Title I credit sales and grants has been appropriated since FY2006.

Title II, Emergency and Development Assistance

The Emergency and Development Assistance program, Title II, provides for donation of U.S. agricultural commodities and humanitarian assistance to meet emergency and non-emergency food needs in other countries. Food aid provided under Title II is primarily targeted to vulnerable populations in foreign countries in response to malnutrition, famine, natural disaster, civil strife, and other extraordinary relief requirements. Title II food aid can also be used to meet economic development needs that address food security (e.g., non-emergency assistance). Emergency assistance is provided primarily through intergovernmental organizations, particularly the World Food Programme (WFP) and private voluntary organizations (PVOs), although commodities may be used in government-to-government programs. Non-emergency assistance may be provided through PVOs, cooperatives, and intergovernmental organizations. Commodities requested may be furnished from the inventory of USDA's Commodity Credit Corporation (CCC) acquired under price support programs or purchased from private stocks.⁹ The CCC also finances

⁸ Funding for the FPA is made available to USDA FAS through annual agricultural appropriations bills, but the funds to carry out Title II, III, and V activities are transferred from USDA FAS to USAID, the agency that actually administers the programs.

⁹ 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 (continued...)

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 predetermined agricultural, economic, or infrastructure development projects, a practice known as “monetization.”¹⁰ For a discussion of congressional issues related to monetization, see the section “Monetization.”

The 2008 farm bill sets the annual authorization level for Title II at \$2.5 billion. This level of funding would be \$500 million more annually than was provided for Title II under the 2002 farm bill each fiscal year through a combination of regular and supplemental appropriations. But as this authorization is discretionary, it is up to annual appropriations bills to set the amount of annual Title II funding, which over the past decade has ranged from about \$1.1 billion (in 2001) to \$2.1 billion (in 2005).

The 2008 farm bill mandates that Title II commodity donations provide an annual minimum tonnage level of 2.5 million metric tons (mmt), of which 1.875 mmt (or about 75%) is to be channeled as non-emergency (development) assistance through the eligible organizations. This mandate, which has rarely been met, 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 non-emergency or development food aid (see **Figure 1**).

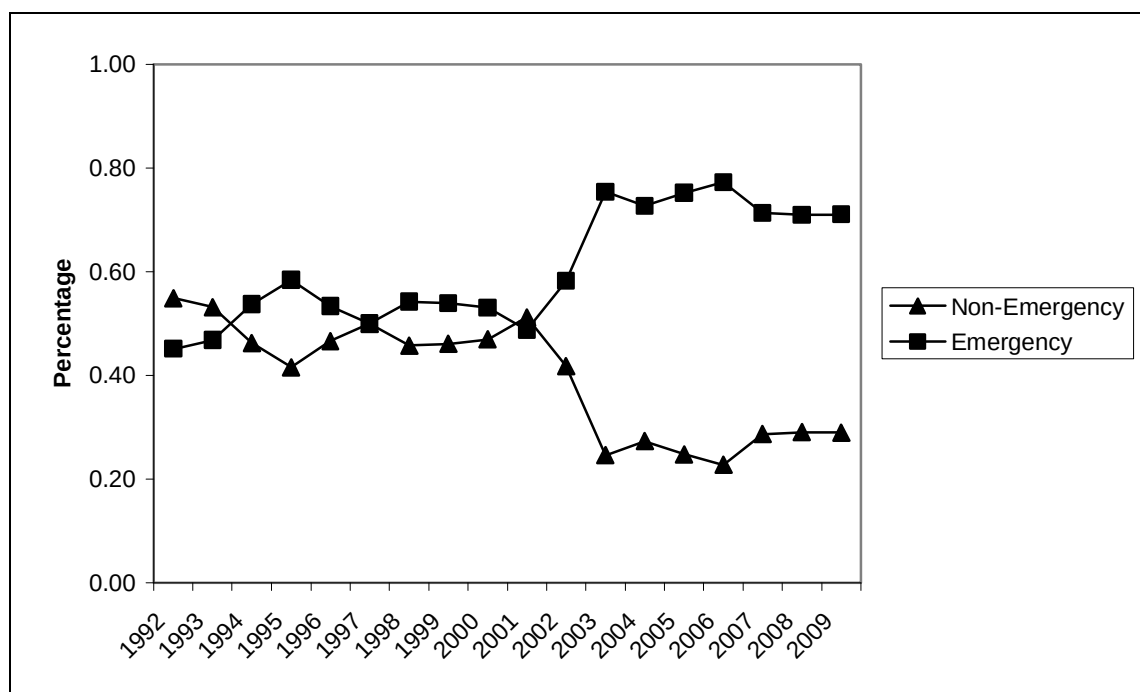
The 2008 farm bill provides for a “safe box” for funding of non-emergency development assistance projects under Title II. The aim of the safe box is to provide assurances to the implementing organizations (PVOs, coops, intergovernmental organizations) of a given level of funds with which to carry out development projects. The safe box funding level begins at \$375 million in FY2009 and ends in FY2012 at \$450 million. 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 (see 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 authorizes the use of up to \$22 million annually for the monitoring and assessment of non-emergency 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. The USAID Administrator can use these funds to employ contractors as non-emergency food aid monitors.

(...continued)

borrow up to \$30 billion at any one time from the U.S. Treasury.

¹⁰ In United States agricultural policy, “monetization” is a P.L. 480 provision (Section 203) first included in the Food Security Act of 1985 (P.L. 99-198) that allows private voluntary organizations and cooperatives to sell a percentage of donated P.L. 480 commodities in the recipient country or in countries in the same region. Under Section 203, private voluntary organizations 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 in any fiscal year in a country. 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. Distribution of P.L. 480 Title II Funds, FY1992-FY2009

Source: USAID Congressional Budget Justification, various years.

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

In addition, the 2008 farm bill also increases 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 new bill also reauthorizes pre-positioning of commodities overseas and increases 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 are 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

The Farmer-to-Farmer program (FtF), first authorized in the 1985 farm bill, has been reauthorized in subsequent farm bills, including the 2008 farm bill.¹¹ The FtF program does not provide commodity food aid per se, 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 projects overseas. The 2008 farm bill provides minimum funding for FtF at 0.5% of the funds made available to Food for Peace Act programs, and was in the range of \$10-\$12 million annually from FY2000 to FY2008. The program was funded at \$12.5 million in FY2009. Special emphasis is given to FtF activities in the Caribbean Basin and sub-Saharan Africa. FtF funding under the 2002 farm bill was \$10 million annually.

Section 416(b)¹²

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 is 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 is currently inactive due to the unavailability of CCC-owned stocks.

Food for Progress (FFP)¹³

The Food for Progress (FFP) program, authorized by the Food for Progress Act of 1985 within the 1985 farm bill (P.L. 99-198), provides for the donation or credit sale of U.S. commodities to 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 agricultural production practices, marketing systems, farmer training, agro-processing, and agribusiness development.

¹¹ 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 Congressman Bereuter, who initially sponsored the program.

¹² Additional information on Section 416(b) is available at <http://www.fas.usda.gov/excredits/FoodAid/416b/section416b.asp>.

¹³ Additional information on the Food for Progress program is available at <http://www.fas.usda.gov/excredits/FoodAid/FFP/foodforprogress.asp>.

FFP authorizes the CCC to finance the sale and exportation of agricultural commodities on credit terms, or on a grant basis, to developing countries that have demonstrated commitments to introduce or expand free enterprise elements into their agricultural economies. Commodities are provided under the authority of P.L. 480, Title I, or Section 416(b). Under certain conditions, CCC may also purchase commodities not currently held by CCC. For commodities furnished on a grant basis, the CCC may pay, in addition to acquisition costs and ocean transportation, related commodity and delivery charges. To date, all food aid under this program has been by donation.

The 2008 farm bill requires 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 private voluntary organizations (PVOs), cooperatives, and intergovernmental organizations, such as the World Food Programme (WFP).

In FY2009, USDA provided over 280,000 metric tons of U.S. commodities (including wheat, wheat flour, soybean, and corn) with an estimated value of over \$200 million to PVOs and foreign governments that were implementing agricultural and rural development projects in developing countries.

McGovern-Dole International Food for Education and Child Nutrition Program¹⁴

The McGovern-Dole program was authorized by 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 (FAS).¹⁵ 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 reauthorizes the program through FY2012 and establishes the U.S. Department of Agriculture as the permanent home for the program.

The commodities used in the program are made available for donation through agreements with private voluntary organizations (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 maintains funding for McGovern-Dole on a discretionary basis. The enacted FY2010 appropriation provides \$209.5 million for the McGovern-Dole International Food for Education and Child Nutrition Program Grants. It also expands the McGovern-Dole program by more than doubling the program from the level enacted in FY2009. The additional resources build upon an existing expansion in programming, which was included as a one-time

¹⁴ Additional information the McGovern-Dole program is available at <http://www.fas.usda.gov/excredits/FoodAid/FFE/FFE.asp>.

¹⁵ This program is named in honor of 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.

authorization in the 2008 farm bill, of \$84 million of CCC funding to the program in FY2009. The enacted appropriation also includes 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.

Local and Regional Procurement Pilot Project (LRPP)¹⁶

The Local and Regional Procurement Pilot Project (LRPP) is authorized as a five-year pilot program under the 2008 farm bill. The bill directs the Secretary of Agriculture to implement the pilot in developing countries and provides CCC funding totaling \$60 million for FY2009 through FY2012.¹⁷ Under the program, grants are provided to private voluntary organizations, cooperatives, and the WFP, which undertake the procurement activities. The primary purpose of the LRPP is to expedite the provision of food aid to vulnerable populations affected by food crises and disasters. A secondary purpose is to provide development assistance that will enhance the food consumption security of such populations. The pilot program has 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 has carried out a 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 2009.¹⁸ The agency released interim guidelines in September 2009¹⁹ and is now preparing final guidelines that will govern operation of the pilot program, which is authorized through 2012. Consistent with provisions of the 2008 farm bill, the budget provides \$5 million for the pilot program in FY2009 and \$25 million for FY2010.

For 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*, by Charles E. Hanrahan.

The Bill Emerson Humanitarian Trust (BEHT)²⁰

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

¹⁶ Additional information about the USDA's Local and Regional Procurement Project is available at <http://www.fas.usda.gov/excredits/FoodAid/LRP/LRP.asp>.

¹⁷ Funding will be made available as follows: \$5 million in FY2009; \$25 million in FY2010; \$25 million in FY2011; and \$5 million in FY2012.

¹⁸ 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>.

¹⁹ Interim guidelines are available at http://www.fas.usda.gov/excredits/FoodAid/LRP/Interim_PPP_Guidelines.pdf.

²⁰ Additional information on the Emerson Trust is available at <http://www.fas.usda.gov/excredits/FoodAid/emersontrust.asp>.

program per se, but rather a food reserve (primarily for P.L. 480 programs) that can be used to meet unanticipated humanitarian food aid needs in developing countries or when U.S. domestic supplies run short. 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 to 2012. 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. The cash can be used to finance activities or purchase commodities as needed.

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. Direct appropriations may also be used for replenishment. 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.

Funding of Food Aid

Some of USDA's international activities (the Food for Peace Act, the McGovern-Dole Food for Education program, and the operations of the FAS itself) are funded through annual agricultural appropriations acts. Other foreign food aid programs are funded through the borrowing authority of the Commodity Credit Corporation (CCC). Congress can and does occasionally exercise limits to spending on these mandatory programs through annual appropriations acts.

Table 2 provides program levels for USDA-funded international food aid programs for FY2000-FY2010. Average annual spending on international food aid programs over the past decade (not including FAS) is approximately \$2.2 billion, with Food for Peace activities comprising the largest portion of the total budget (ranging from 50%-90% of the total budget in a given year). The policy objectives of foreign food aid include providing emergency and humanitarian assistance in response to natural or manmade disasters, and promoting agricultural development and food security. The United States provides food aid for emergency relief and to support development projects. As shown above in **Figure 1**, increased allocations of U.S. food aid for emergency relief, particularly in recent years, have reduced the amount of food aid available for development projects.

Table 2. USDA International Food Aid Program Level, FY2000-FY2010
(\$ millions)

Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 (est.)
Food for Peace (P.L. 480)^a	1,293	1,086	1,095	1,960	1,809	2,115	1,829	1,787	2,061	2,321	1,690
Section 416(b)^b	504	1,103	773	213	19	76	20	0	0	0	0
Food for Progress^c	108	104	126	137	138	122	131	147	220	216	148
McGovern-Dole IFECN^d	—	—	—	100	50	90	96	99	99	100	210
Local & Regional Procurement Pilot^e	—	—	—	—	—	—	—	—	0	5	25
TOTAL	1,905	2,293	1,994	2,410	2,016	2,403	2,076	2,033	2,380	2,642	2,073

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). They include for the discretionary programs (P.L. 480, Food for Education, and the Foreign Agricultural Service), in addition to regular, annually appropriated funds, emergency supplemental appropriations, carry-over from one fiscal year to another, transfers from other USDA agencies, transfers between programs, and reimbursements from other agencies.

- a. For P.L. 480, the FY2002 estimate includes \$175 million from the Emerson Trust; FY2003 estimate includes \$1.326 billion for regular FY2003 appropriations, \$248 million for Title II emergency assistance (after applying the across-the-board rescission of 0.65%), and \$369 million in the Emergency Wartime Supplemental Appropriations Act of 2003 (P.L. 108-111); FY2005 estimate includes \$377 million from the Emerson Trust; FY2007 Title II program level includes a supplemental appropriation of \$450 million; and FY2009 Title II includes a regular appropriation of \$1.226 billion, plus two supplemental appropriations of \$395 million (P.L. 110-252) and \$700 million (P.L. 111-32).
- b. Includes value of commodities, ocean freight and transportation, and transfers to other programs.
- c. Includes only CCC purchases of commodities for FFP. P.L. 480 Title I funds allocated to FFP are included in P.L. 480.
- d. The McGovern-Dole International Food for Education and Child Nutrition Program was authorized in the 2002 farm bill. FY2003 funds were from the CCC; funds were first appropriated to the program directly in the FY2004 appropriations bill (P.L. 108-199). For FY2002, \$112 million of assistance was provided for food for education activities under the Global Food for Education program, which was a precursor to the McGovern-Dole program.
- e. These are the levels authorized in the 2008 farm bill for the Local and Regional Procurement Pilot Program, which may differ from the amount actually used by the program.

The Administration's FY2011 Budget Proposal²¹

President Obama made strong commitments to global agricultural development and food security at the G8 Summit in L'Aquila, Italy, in July 2009, and later reconfirmed these commitments at the G20 meeting in Pittsburgh in September 2009.²² The G8 summit leaders and other countries and

²¹ For more about agricultural appropriations for FY2010, see CRS Report R40721, *Agriculture and Related Agencies: FY2010 Appropriations*, coordinated by Jim Monke.

²² The G8 countries are Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States. The G20 countries include the G8 and Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Saudi Arabia, (continued...)

institutions in attendance announced the launch of a new international fund called the Global Partnership for Agriculture and Food Security. The Global Partnership will be administered by the World Bank and has the goal of mobilizing \$20 billion over three years to finance initiatives that will “free mankind from hunger and poverty.”²³ In addition, the Obama Administration is also rolling out its own Global Hunger and Food Security Initiative (GHFSI), which is being led and coordinated by the State Department.²⁴

The Administration’s FY2011 request includes \$1.8 billion for the GHFSI and an additional \$4.2 billion for humanitarian and emergency assistance. The FY2011 request of \$1.8 billion in the foreign affairs budget for the GHFSI represents an overall increase of 98% over the enacted FY2010 level, and specifically includes \$1.15 billion for agriculture and \$200 million for nutrition programs at the State Department and USAID, an increase over enacted FY2010 levels of 42% and 167%, respectively. The GHFSI request also includes \$408 million for multilateral partnerships—for example, the Global Partnership at the World Bank—which would constitute new funding coming from the U.S. Department of Treasury for food security purposes.

The Administration’s FY2011 request of \$4.2 billion for humanitarian and emergency assistance includes \$1.69 billion for Food for Peace (P.L. 480) Title II grant programs, which is similar to the levels enacted in FY2010. The remaining \$2.51 billion has been requested in the foreign operations budget to provide for migration, refugee, and international disaster assistance (not necessarily directly related to food aid). The President’s FY2011 request also includes \$209.5 million for the McGovern-Dole International Food for Education Program, which is similar to the amount enacted in FY2010.

FY2010 Agricultural Appropriations

The enacted FY2010 agriculture appropriations bill (P.L. 111-80) provides almost \$2.1 billion for USDA’s international food aid activities (not including FAS expenditures). The enacted appropriation also provides \$180.4 million for the Foreign Agricultural Service, almost \$15 million more than enacted in FY2009. The additional funds will allow FAS to strengthen its overseas presence, and will also go toward upgrading and rebuilding FAS’s information technology infrastructure.

Food for Peace (P.L. 480) Title II humanitarian food aid, which is by far the largest component of international food aid expenditures, is appropriated \$1.69 billion, which is \$464 million, or about 38%, over the regular FY2009 appropriation, though considerably less than the total \$2.3 billion appropriated if supplemental appropriations are considered.²⁵ The increased funding provided in the FY2010 appropriations is intended to reduce the need for future emergency supplemental

(...continued)

South Africa, South Korea, and Turkey. The European Union also is a member of the G20.

²³ *L’Aquila Joint Statement on Global Food Security*, July 10, 2009, at http://www.g8italia2009.it/static/G8_Allegato/LAquila_Joint_Statement_on_Global_Food_Security%5B1%5D,0.pdf.

²⁴ U.S. Department of State, Bureau of Public Affairs, *Global Hunger and Food Security Initiative: Consultation Document*, at <http://www.state.gov/s/globalfoodsecurity/129952.htm>.

²⁵ In addition to the regular appropriation, Food for Peace received an additional \$1.095 billion in two separate FY2009 emergency supplemental acts (\$395 million from P.L. 110-252; \$700 million from P.L. 111-32), so that the total amount enacted to FPA in FY2009 was over \$2.3 billion.

funding and reflects the fact that the global need for food assistance has increased substantially in recent years. No funding was made available for Title I or Title III program activities.

Unlike in the previous Administration, the Obama FY2010 budget request did not propose to allow the Administrator of USAID to use up to 25% of Food for Peace Title II funds for local or regional purchases of commodities (i.e., non-U.S. commodities) to address international food crises. Congress has rejected this request over the past few years. Instead, the President's FY2010 foreign affairs budget called for \$300 million to be allocated to USAID's International Disaster Assistance (IDA) program to be used for local and regional procurement, and for the financing of cash transfers and cash vouchers to meet food security objectives. The final Foreign Operations appropriations bill, folded into a consolidated measure (H.R. 3288, P.L. 111-117) discussed local and regional purchase of food aid commodities under the heading of International Disaster Assistance. The conference report (H.Rept. 111-366) stipulates that "a significant portion of the funds available under this heading (\$845 million) will support food assistance in fiscal 2010 and will be in addition to the \$1.169 billion designated in this Act for food security and agricultural development."

The enacted FY2010 appropriations bill also provides \$209.5 million for the McGovern-Dole International Food for Education and Child Nutrition Program Grants. This amount represents a major expansion in appropriated funding for the program and is more than double the FY2009 enacted level. The additional resources would build 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.

Issues for Congress

Aid Effectiveness

Food aid has been essential for saving lives around the world, especially during a crisis or natural disaster; but its value in longer-term development has been controversial. Many development experts believe that the mobilization of food aid to the most vulnerable populations is critical for combating global hunger and malnutrition. Many also believe that regions such as sub-Saharan Africa continue to need foreign assistance to help break the cycle of poverty, which they believe is a prerequisite for enabling more agricultural productivity and economic development.²⁶

At the same time, critics of foreign aid, especially food aid, claim that many well-intentioned foreign aid policies and trillions of dollars spent on foreign aid have done little to help developing countries prosper, especially in Africa—for example, in the 1970s less than 10% of sub-Saharan Africa's population lived in dire poverty, while today over 70% of sub-Saharan Africa lives on less than US\$2 a day. Critics claim that no country has meaningfully reduced poverty and spurred significant and sustainable levels of economic growth by relying on aid.²⁷ They also contend that

²⁶ Proponents of aid include Jeffrey Sachs, author *The End of Poverty* (Penguin Press, 2005), and Paul Collier, author of *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It* (Oxford University Press, 2007), among others.

²⁷ Critics of foreign aid include William Easterly, author of *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* (Penguin Press HC, 2006), and Dambisa Moyo, author of *Dead Aid: Why Aid Is Not Working and How There Is Another Way for Africa* (Farrar, Straus and Giroux, 2009), among others.

aid often results in unintended consequences that can have detrimental effects on the local economy. Other critics believe that if aid is open-ended, African governments will have no incentive to look for other, more self-sufficient ways of financing their development. These critics claim that foreign aid can encourage corruption, create dependency, fuel inflation, create debt burdens and disenfranchise Africans from the rest of the world.

In response to many assertions about the pros and cons of foreign aid, external, independent watchdog entities have been created that attempt to provide a transparent and unbiased review of poverty reduction and development assistance. Several organizations look at what various nations have donated, how and where funds have been spent, and other issues.²⁸

Considerable controversy exists among the donor and NGO community over the merits of using food aid as a long-term tool to promote general development objectives. The WFP and some NGOs have used food commodities directly in programs that focus on building human capital in the form of nutrition, health, and education. Some argue that the incentive mechanisms established to participate in the program may be as important as the direct impact of food itself, and can have implications for the sustainability and efficacy of the development project over the long term.

Demand-Driven Aid Strategies

Many development experts argue that in order for any food assistance program to be effective, there must be “buy-in” and support from the country and local partners. Many donors and implementing partners talk about the need to have a “demand-driven” poverty alleviation strategy that includes plans for dealing with emergency assistance needs as well as longer-term agricultural and economic development. Some argue that, much of the time, the type and timing of food aid donations are driven more by the donor’s domestic agenda and situation, rather than responding to the recipient’s actual need or requests.

At the same time, donors are not entirely comfortable with countries taking full ownership of food aid programs. Many major donors and implementing organizations such as the World Bank and the WFP believe that entirely country-owned and -managed programs are liable to political “targeting” of food resources, to corruption of the process and diversion of the resources, and to day-to-day interference in program logistics and delivery mechanisms.

Cash vs. Commodities

Monetization

The monetization (selling in local markets) of food aid commodities is a controversial issue. As mentioned above, Food for Peace Act programs permit the Administrator of USAID to allow private voluntary organizations 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 non-emergency programs for each fiscal year. The funds generated by these sales can then be used to finance internal

²⁸ For example, see Realty of Aid website at <http://www.realityofaid.org/>.

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. Some private voluntary organizations such as CARE International, however, have begun to question 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.²⁹ 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. Catholic Relief Services (CRS) has taken a similar position with respect to monetization, but has not yet decided to transition away from the practice completely.³⁰

Local or Regional Procurement

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, including the Administration, point to delayed arrivals of up to four months when U.S. commodities are shipped in response to emergency situations. Moreover, ocean transportation costs can be high. A recent study by the Government Accountability Office (GAO) 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.³¹ 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).³² Ocean freight rates vary from year to year, but paying such costs is one reason that both USDA and USAID have 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

²⁹ 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.

³⁰ See Catholic Relief Services, *Food Aid and Food Security*, at http://crs.org/public-policy/food_aid.cfm.

³¹ 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>.

³² See USAID FY2006 Congressional Budget Justification at http://www.usaid.gov/policy/budget/cbj2006/pdf/fy2006summtabs6_PL480TitleII.pdf.

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, private voluntary organizations, and shippers that support the program, and in reductions in U.S. food aid.³³ 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 farm bill document noted instances in which the U.S. food aid response to emergencies would have been enhanced with this kind of authority: Iraq in 2003, the Asian tsunami in 2004, Southern and West Africa in 2005, and East Africa in 2006. As if anticipating the same congressional antipathy expressed in regard to this idea in past budget requests, 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) includes 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 and distribution of food to assist people threatened by a food security crisis. The farm bill provides that a pilot project be conducted by the Secretary of Agriculture with a total of \$60 million in mandatory funding (not from P.L. 480 appropriations) during FY2009-FY2012 (see section on "Local and Regional Procurement Pilot Project (LRPP)"). The Obama Administration did not make a similar request in its FY2010 budget request, but did request International Disaster Assistance funds for local and regional purchase activities in the Foreign Operations budget.

Since 2002, appropriations for Title II of the Food for Peace Act have averaged \$2 billion annually, none of which can 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, since July 2008, Congress has appropriated \$50 million to USAID that can be used for LRP in addition to \$75 million that the Administration allocated for LRP in International Disaster Assistance funding; and the 2009 Omnibus Appropriations Act provided another \$75 million in development assistance funding to USAID for global food security, including LRP and distribution of food. Also, as discussed below, the Cargo Preference Act of 1954 (as amended) requires up to 75% of the gross tonnage of all U.S.-funded food aid to be transported on U.S.-flag vessels. There is disagreement among USAID, USDA, and the Department of Transportation (which enforces the act) on how to interpret and implement certain requirements of cargo preference, such as the agency responsible for determining availability of U.S.-flag vessels. If these requirements remain ambiguous, U.S. agencies' use of LRP could be constrained.

³³ See H.Rept. 109-255 on H.R. 2744, the FY2006 Agriculture appropriations measure.

Cargo Preference

Related to the question of cost-effectiveness of providing U.S. commodities as food aid is the cargo preference issue. The Cargo Preference Act, P.L. 83-644 (August 26, 1954), as amended, contains permanent legislation concerning the transportation of waterborne cargoes in U.S.-flag vessels. The act requires that 75% of the volume of U.S. agricultural commodities financed under P.L. 480 and other concessional financing arrangements be shipped on U.S.-flagged vessels. Maritime interests generally support cargo preference, but opponents argue that it increases the costs of shipping U.S. commodities to poor countries and potentially reduces the volume of food aid provided. A 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 that cargo preference requirements adversely affect operations of the food aid programs, chiefly by raising the cost of ocean transportation and reducing the volume of commodities that can be shipped.³⁴

Author Contact Information

Melissa D. Ho
Analyst in Agricultural Policy
mho@crs.loc.gov, 7-5342

Charles E. Hanrahan
Senior Specialist in Agricultural Policy
chanrahan@crs.loc.gov, 7-7235

³⁴ See General Accountability Office, *Cargo Preference Requirements: Objectives Not Met When Applied to Food Aid Programs*, September 29, 1994, available at <http://archive.gao.gov/t2pbat2/152624.pdf>.