

# The Takeaway

Policy Briefs from the Mosbacher Institute for  
Trade, Economics, and Public Policy

## Reaching More for Less:

### Modernizing US International Food Aid Programs

**ANDREW NATSIOS**

Director, Scowcroft Institute of International Affairs

*The Food for Peace program has saved millions of lives around the world for more than a half century and has been perhaps the most powerful and visible symbol of American generosity to those in need. The question is not whether the program has been successful in saving lives, but whether it can be improved to make it more effective, more efficient, and faster, so that more lives can be saved?*

Since 2003, the Food for Peace program has spent 49% of its budget on transportation and handling costs and only 40% on actual commodities<sup>1</sup>. In other words, in the last ten years, the US government, through the Food for Peace program, has spent

more on transporting, storing, and distributing the food to other regions of the world than on the food itself.

#### **THEN AND NOW**

Fifty years ago the bulk of the food went to Asia and the subcontinent and was used



#### **WHAT'S THE TAKEAWAY?**

The USAID Food for Peace program has been very effective, but it can be made even better.

Allowing more local and regional procurement would:

- Make the current food aid program more cost effective
- Greatly shorten delivery times
- Benefit local economies in desperate need of an economic boost after a humanitarian crisis.

in stable countries in long term development programs. Today most of it goes to sub-Saharan Africa and is used to fight hunger in famines during civil wars, often in failed states. While the original program was provided government-to-government, now nearly all goes through non-governmental organizations (NGOs), the Red Cross movement, and the UN's World Food Program (WFP). The original program disposed of surplus US grain owned by the federal government. Today US food aid is bought on private US agricultural markets. Once the food has been received, usually by the WFP or NGOs, either the food is distributed to feed the hungry or it is sold in the local markets for local currency that is used by the NGOs for other development projects.

#### **LOCAL AND REGIONAL PROCUREMENT**

Allowing more local and regional procurement (LRP), the practice where food is bought locally rather than purchased in the United States and then shipped, would make the current food aid program more cost effective and greatly shorten delivery times. Studies done by the General Accounting Office (GAO)<sup>2,3</sup> and US Department of Agriculture (USDA)<sup>4</sup> confirm that for nearly every type of commodity, the cost of procuring it in the United States and transporting it is higher than purchasing the commodity locally. The US Agency for International Development (USAID) estimates that local and regional food procurements cost 20%-50% less and arrive 11-14 weeks sooner than US exported food. As many as two million more people could receive food aid at the same cost if the food aid reforms in the proposed FY 2015 budget were passed.<sup>5</sup> Perhaps more importantly, in an emergency situ-

ation where men, women, and children are in desperate need of food aid, being able to get them the food they need to survive weeks earlier would be immensely beneficial.

*Local and regional food procurements cost 20%-50% less and arrive 11-14 weeks sooner*

Shipments from the United States to ports on the other side of the world are subject to risks. For example, the food aid warehouses in Texas were nearly destroyed during Hurricane Katrina, pirates off the coast of Somalia captured a food aid ship, and one shipment of food aid to North Korea sank in a storm. The current system is dependent on a long and complex logistics chain that is subject to delays. In dire conditions procuring food closer to its need could save many lives.

One of the major factors leading to widespread deaths in famines is the sharp rise in food prices in local markets over short periods of time usually after a major crop failure. These dramatic price increases mean only the wealthy can afford to buy food to survive the crisis. In Somalia in 1991, the price of grain increased between 700-1200% in less than a year causing a famine which killed 250,000 people. Auctioning food aid locally to reduce prices to a more normal level, so that more people can afford to buy food in the markets, can be a very useful tool. Food aid reforms should not preclude market interventions to

stabilize food prices during famines. Where a drought covers a large geographic area in which most crops have failed, local purchase might be unwise because it would drive up food prices. In this case food, should be imported far from the crisis. The decision on when to purchase locally versus sourcing food in the United States should be made in USAID by Food for Peace officers, not by law or by interest group pressure in the United States.

A great deal of research has been done to show the negative long term effects of injecting large amounts of free or inexpensive food aid into local markets under non-crisis circumstances. When I was Administrator of USAID, we launched several programs to try and cut down on opium production in Afghanistan by creating alternate sources of livelihoods for farmers. In the summer of 2001, and we instituted an improved wheat seed program to encourage wheat production. However, things did not go as planned. An unexpectedly good rainy season occurred combined with the higher yielding wheat resulted in local farmers producing far more wheat than expected. Wheat prices dropped dramatically. Not surprisingly, many Afghan farmers returned to poppy farming for opium production. If we could have used the Title II PLO 480 appropriation (the Food for Peace program funds) to purchase food locally and bought up the surplus rather than importing more US food aid, we could have discouraged opium production by making wheat farming more attractive as an alternate source of income. We could not do that because existing law would not allow it.

In many cases, countries who have been hit by natural disaster have specifically asked us not

to send them food, and yet we ignored them. After the 2004 tsunami hit Aceh, Indonesia, the Indonesian foreign minister asked the world to not send rice, because there was plenty of food in Indonesia we could have bought locally. But we did not have the flexibility in our food aid program to do that. After the Haiti earthquake in 2010, the president of Haiti asked the world to not send food out of concern it would hurt local rice production. We did anyway, and local rice farmers were damaged.

### *Purchasing food locally provides additional support to local farmers*

We have considerable evidence that purchasing food locally provides additional support to local farmers and helps boost the local economy. In one particular article looking at the WFPs local purchase program in Uganda, the author found numerous favorable secondary effects of purchasing the food locally, including improved farmer knowledge of local markets, improved reliability of the markets, a lack of a middle man leading to higher prices for the farmers, and improved housing and cash income.<sup>6</sup>

#### **CONCLUSIONS**

With such strong evidence pointing out the negatives of the current food aid system, why is there any opposition to these reforms? The answer is simple—special interest groups like agribusiness, labor unions, and maritime interests oppose them. Food aid is, first and

foremost, an emergency response tool, not a subsidy for domestic economic interests. As Dr. Norman Borlaug and I argued back in 2008 when the Bush administration was pushing for reform,<sup>7</sup> food aid accounts for less than 1% of US agricultural exports, and even less of net farm income. The impact these reforms would have on US agricultural industries would be negligible. Existing system policies are not in the best interest of American food aid, the American taxpayer, or, most importantly, the millions who rely on food aid to help them survive humanitarian crises.

There should be no question of the importance of these reforms. President Bush pushed strongly for them during my tenure in USAID because the evidence showed that they were greatly needed. President Obama is doing the same now because he does as well. Since that time, more and more evidence has shown that purchasing food aid locally is faster, more cost-efficient, and can have greater beneficial effects on local economies in desperate need of an economic boost after a humanitarian crisis.

**Andrew Natsios**, Director of the Scowcroft Institute of International Affairs, is also an executive professor at the Bush School of Government and Public Service. He is a former USAID administrator who managed reconstruction programs in Afghanistan, Iraq, and Sudan. He also served as US special envoy to Sudan in 2006-2007.

This article is based on his testimony before the House Committee on Foreign Affairs on June 12, 2013.

#### Sources:

<sup>1</sup> "Food For Peace By The Numbers," 29 April 2013. USAID. Accessed: 1 June 2013. <http://www.usaid.gov/foodaidreform/ffp-by-the-numbers>

<sup>2</sup> "International Food Assistance: Local and Regional Procurement Provides Opportunities to Enhance U.S. Food Aid, but Challenges May Constrain Its Implementation," 4 June 2009. GAO. <http://www.gao.gov/new.items/d09757t.pdf>

<sup>3</sup> "International Food Assistance: Funding Development Projects Through the Purchase, Shipment, and Sale of U.S. Commodities Is Inefficient and Can Cause Adverse Market Impacts," June 2011. GAO. <http://www.gao.gov/assets/330/320013.pdf>

<sup>4</sup> "USDA Local and Regional Food Aid Procurement Pilot Program," December 2012. [http://www.fas.usda.gov/sites/default/files/lrp\\_report\\_12-03-12\\_to\\_print.pdf](http://www.fas.usda.gov/sites/default/files/lrp_report_12-03-12_to_print.pdf)

<sup>5</sup> "The Future of Food Assistance: U.S. Food Aid Reform," USAID. Accessed January 2015, [http://www.usaid.gov/sites/default/files/documents/1866/FoodAidReformFactSheet\\_FY2015.pdf](http://www.usaid.gov/sites/default/files/documents/1866/FoodAidReformFactSheet_FY2015.pdf)

<sup>6</sup> Ferguson, Hillary, Thembela Kepe. 2011. "Smallholder farmer participation in local and regional food aid procurement: Assessing the benefits and challenges in southwestern Uganda." *International Development Planning Review*. 33 (1): 27-48.

<sup>7</sup> Borlaug, Norman and Andrew Natsios, "Africa does not have to Starve", *Wall Street Journal*, May 2, 2008. <http://www.wsj.com/articles/SB120968518398861073>

## ABOUT THE MOSBACHER INSTITUTE

The Mosbacher Institute was founded in 2009 to honor Robert A. Mosbacher, Secretary of Commerce from 1989-1992 and key architect of the North American Free Trade Agreement. Through our three core programs—Integration of Global Markets, Energy in a Global Economy, and Governance and Public Services—our objective is to advance the design of policies for tomorrow's challenges.

#### Contact:

Cynthia Gause, Program Coordinator | The Mosbacher Institute for Trade, Economics, and Public Policy

Bush School of Government and Public Service  
4220 TAMU, Texas A&M University  
College Station, Texas 77843-4220

Email: [bushschoolmosbacher@tamu.edu](mailto:bushschoolmosbacher@tamu.edu)  
Website: <http://bush.tamu.edu/mosbacher>

The views expressed here are those of the author(s) and not necessarily those of the Mosbacher Institute, a center for independent, nonpartisan academic and policy research, nor of the Bush School of Government and Public Service.