

*Journal of Agribusiness* 24,1 (Spring 2006):1–16  
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## U.S. Food Aid: It's Not Your Parents' Program Any More!

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Much has changed in the 50 years since modern food aid began with the enactment of U.S. Public Law 480 in 1954. Yet contemporary policy debates often become derailed by failures to appreciate the significant changes that have already occurred. This paper identifies the most important of these changes and explains how these set the stage for further desirable changes to U.S. food aid programs.

**Key Words:** food security, humanitarian assistance, hunger, poverty, safety nets, surplus disposal, trade promotion

Conditions were very different 50 years ago, when President Eisenhower signed the Agricultural Trade Development and Assistance Act of 1954 into law as U.S. Public Law 480 (PL480). Generous farm price support programs generated massive government-held stocks of grain, substantial tariff and non-tariff barriers in farm products and the high cost of international freight and communications limited global commodity trade, and outside of North America and most of western Europe, hunger was widespread, while the United States and its allies were engaged in an intense Cold War with the Soviet Union.

PL480 was a direct response to these conditions. It offered a means to reduce government stock-carrying expenses by disposing of commodity surpluses beyond the marketshed—so as not to drive down market prices and thereby force additional government procurement under price support programs—while hopefully obtaining added dividends in the form of promotion of future commercial agricultural exports, geopolitical support from developing countries, or humanitarian assistance to those suffering poverty and hunger. These multiple objectives facilitated the emergence of a strong, broad-based coalition offering political support to U.S. food aid programs. U.S. food aid programs succeeded at some of these goals, notably surplus disposal and in saving or improving the lives of hundreds of millions of poor and hungry people around the world.

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Times have changed, and so has and *must* food aid. This is not your parents' food aid program any more. Yet, outside a small circle of technical experts, few people appreciate the changes that have fundamentally reshaped food aid. These changes imply some need for reframing food aid in the next Farm Bill, focusing it on the goal for which it is a demonstrably effective instrument and dispensing with objectives for which food aid is no longer appropriate or has proved ineffective. The American electorate and our political leaders can and will support food aid reforms as the evidence on past and necessary changes becomes more readily available. This paper enumerates and explains such changes.

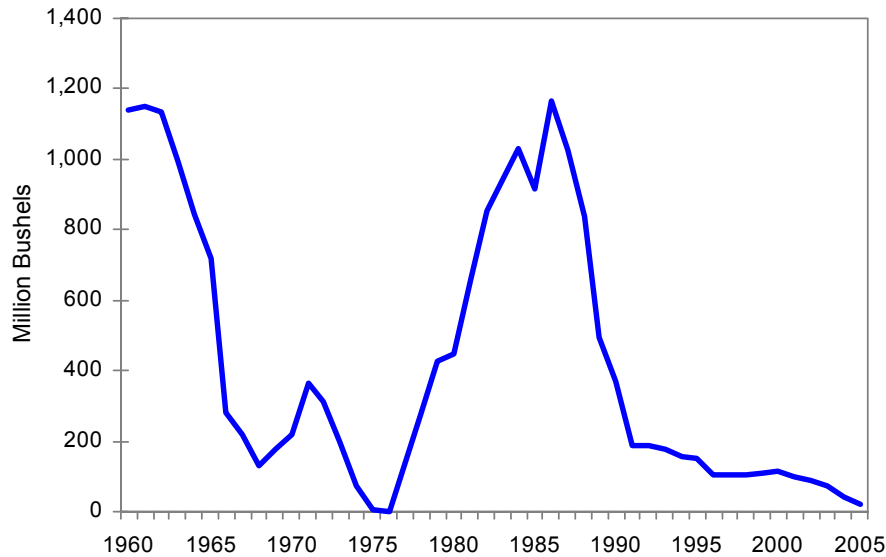
### **What Has Changed?**

#### *1. Price Supports and Government Grain Stockpiles Are History*

Government grain surpluses are gone, a relic of an era when price support programs were a primary means of support for America's farmers. For example, year-end stocks of wheat—historically the main food aid commodity—held by the government Commodity Credit Corporation (CCC) or paid for by the government under the farmer-owned reserve program, decreased more than 95% between 1987 and 2005 (figure 1). With a few minor exceptions, the government is no longer off-loading surplus commodities purchased from American farmers that it would otherwise have to pay to hold, making food aid comparatively cheap.

Instead, the government now procures commodities on the open market, almost exclusively from large agribusiness concerns. Just four companies sold more than half the commodities purchased for U.S. food aid programs in 2004. On average, the government pays a slight premium above open market prices for those commodities due to limited competition (the median number of bidders per invitation for bid is two), the complications of matching commodity and freight bids, end-of-budget-year pressures, and obscure restrictions requiring minimum levels of bagging, processing, and other services (Barrett and Maxwell, 2005a). So, what used to be cheap and sourced from farmers is now expensive and sourced from corporations.

What has not changed is the widespread but unfortunately mistaken belief that food aid benefits American farmers financially. The \$654 million spent on food aid commodities in fiscal year 2005 is a drop in the ocean of the nearly \$1 trillion U.S. food economy. The actual crop value is even less than \$654 million because statutory requirements for bagging and processing cause a nontrivial portion of that sum to go for post-harvest value-added activities. Just to put this in perspective, U.S. food aid programs' share of the national food market is slightly smaller than my family of seven's share of the food market in the rural central New York town in which we live. Unless one believes that my family's shopping trips induce the local grocer to mark up prices of goods on the shelf here, one should not expect U.S. food aid procurement to move prices in American agricultural markets. Food aid programs are simply too small to move markets. As a result, farmers do not benefit financially



Data Source: USDA, Economic Research Service.

**Figure 1. Government year-end wheat stocks (three-year centered moving average), 1960–2005**

from food aid programs. Only a few large agribusinesses and shippers that sell into the system do.

So why does the myth that farmers benefit persist? Because people commonly conflate correlation with causation. Originally, food aid was the *by-product* of (price and income) support to farmers, not the *source* of such support. So there was a direct correlation between the government boosting farmers' incomes and government shipping food aid abroad. But the causation flowed from the former to the latter, not vice versa. As government price support programs ended and food aid procurement necessarily changed, the historical relation between farm income support and food aid flows broke down. But the political rhetoric remains. This has led to episodes of gross misuse of food aid for domestic political purposes, often with unfortunate consequences in global commodity markets because there are no longer many countries that fall outside the global food marketshed. As a result, food aid for (politically motivated) surplus disposal tends to affect recipient country price and trade patterns. This leads us to the next major change.

## 2. An Ineffective and Disruptive Instrument for Commercial Trade Promotion

In 1954, PL480 supporters conjectured that, rather like “try one free” offers by food manufacturers aiming to attract new customers, free food aid might cultivate new consumers for American grown and processed commodities and establish distribution

channels necessary to make commercial agricultural exports to nontraditional markets viable. The U.S. Department of Agriculture's Foreign Agricultural Service (FAS) was therefore charged with responsibility for PL480 (and retained responsibility for Title I when Titles II and III were passed to USAID in the 1990 Farm Bill), the Food for Progress Program, Section 416(b) food aid, and assistance provided under the McGovern-Dole International Food for Education and Child Nutrition Program, created by the 2002 Farm Bill. These all fall under the heading of "Market Development" and "Trade Development" programs in official government literature.

The intervening years' experience has proved false the hypothesis that food aid would create new commercial markets. The best available statistical evidence that disentangles changes in recipient countries' commercial agricultural imports which might be attributable to food aid receipts from changes due to other factors such as urbanization, independent income growth, increased recipient country agricultural productivity, etc., finds, perhaps surprisingly, U.S. food aid *reduces*, rather than increases, American commercial agricultural exports for 20 years, on average (Barrett, Mohapatra, and Snyder, 1999). Why? The simple reason is that agribusinesses and shippers have no incentive to give up the windfalls they earn from food aid. If it is cheaper and easier to sell to the U.S. government than to foreign buyers, that is what a smart business will do. The "try one free" metaphor is inappropriate because the vendors never give away the product. They get paid market value (or better) regardless of whether food flows via food aid or commercial trade; hence the extraordinary persistence of U.S. food aid flows (Barrett and Maxwell, 2005a).

Moreover, we have also learned that food aid can disrupt commercial markets when it is shipped overseas but not carefully targeted to food-insecure recipients in destination countries. In principle, it can discourage domestic food production by driving down prices, as the Nobel Laureate T.W. Schultz (1960) theorized. The empirical evidence suggests, however, that food aid displaces little or no domestic food production, on average. Although this most certainly occurs in some places, there are also studies reporting net positive effects on recipient country agricultural productivity (Abdulai, Barrett, and Hoddinott, 2005). Rather, food aid seems mainly to impact commercial imports, especially commercial imports from the donor country, but also imports from third countries [Barrett, Mohapatra, and Snyder, 1999; Organization for Economic Cooperation and Development (OECD), 2003; Lowder, 2004; Barrett and Maxwell, 2005a]. This is consistent with the simple observation that even poor economies have become reasonably well integrated into global food markets, thus limiting the national-level price effects of food aid shipments. Of course, third-party commercial import displacement naturally leads to trade disputes and is a primary reason why food aid has become a serious (and, many of us believe, seriously exaggerated) source of conflict within the Doha Development Round negotiations under the World Trade Organization (WTO). The real risk in the WTO dispute is that overreactions to the now-small share of food aid ineffectively used for trade promotion purposes threaten the majority of food aid used effectively for humanitarian response and legitimate, well-targeted development interventions.

### *3. The Cold War Is Over*

Just as food aid has ultimately proved ineffective at stimulating commercial market development for American agricultural producers, so did it prove ineffective as an instrument of geopolitical manipulation. Moreover, the Cold War is now over and current diplomatic challenges are thus quite different. Food aid today has become a key instrument in efforts to win hearts and minds during and following U.S.-initiated conflict in Afghanistan and Iraq, and to secure cooperation from recalcitrant states such as the Democratic People's Republic of Korea. Food aid plays a valuable role in these contexts in meeting international commitments to fulfill the human right to food, as agreed under the 1948 Universal Declaration of Human Rights (Article 25) and the 1966 International Covenant on Economic, Social, and Cultural Rights (Article 11), and universally reaffirmed at the 1996 World Food Summit in Rome. Unfortunately, beyond the humanitarian role, there is no evidence that food aid works any better today as a tool for gaining geopolitical ground than it did with India, Poland, Egypt, Pakistan, or Brazil—the five largest PL480 recipients in 1960—in food aid's early years. The temptation to deploy food aid as a diplomatic tool is natural. Unfortunately, its ineffectiveness in this role has a considerable opportunity cost: the foregone benefits of food aid more effectively used for development and humanitarian purposes.

### *4. Alternative Means of Supporting the U.S. Merchant Marine*

Cold War as well as broader national security concerns led to restrictions on food aid shipping intended to help maintain a viable U.S. merchant marine fleet that could be available to the Department of Defense (DoD) in time of war. The Cargo Preference (CP) Act, enacted alongside PL480 in 1954, requires that a minimum share of U.S. food aid must be shipped on U.S.-flagged carriers. The 1985 Farm Bill increased this minimum from 50% to 75% for food aid only.

Predictably, CP restrictions drive up freight costs. Of the \$1.6 billion spent on food aid in fiscal year 2005, only \$654 million went for commodities; 60% of the total bill was spent on freight, storage, and administration. The U.S. Government Accounting Office (1994a,b) estimated that in the early 1990s, CP restrictions inflated freight costs by 69%, on average, without advancing legitimate national security interests in military sealift capacity. Those findings are reinforced by 1999–2000 data, showing a 78% premium paid for ocean freight due to cargo preference, although the U.S. merchant marine continued to shrink (Barrett and Maxwell, 2005a).

Moreover, the windfall profits from CP have been concentrated among a small group of carriers. In fiscal year 2005, there were only 13 registered shipping lines, and just five companies accounted for more than half of all the U.S. government food aid freight expenditures. Yet, because food aid volumes are a tiny share of global shipments and most ocean freight is not subject to cargo preference

restrictions,<sup>1</sup> CP cannot realistically keep shipping lines afloat. Further, the dry bulk ships on which commodity food aid is concentrated are of negligible value today to the U.S. military. CP mainly pads the bottom line for a few shippers, most of whom rely on commercially competitive container vessels not used for food aid shipments.

Recognizing that cargo preference was no longer effective at advancing the national security objectives for which it was designed, Congress created a new Maritime Security Program (MSP) in 1996 to help the U.S. merchant marine fleet meet the higher costs of maintaining U.S. citizen crews and meeting DoD standards for military readiness. In 2004, MSP subsidies were \$2.1 million/ship annually. These subsidies are essentially call options giving DoD the legal right to use ships and crews for military operations when necessary. Thus there now exists a distinct program created explicitly for the purpose for which cargo preference was intended. This should allow decoupling of maritime subsidies from food aid programming. Yet cargo preference continues. Now shipping lines “double-dip” when they carry bagged food aid commodities or small (less than 7,500 ton) loads of bulk food aid commodities, collecting both the substantial premia that accrue from the expanded CP restriction and the MSP subsidy of more than \$6,500/day per vessel.

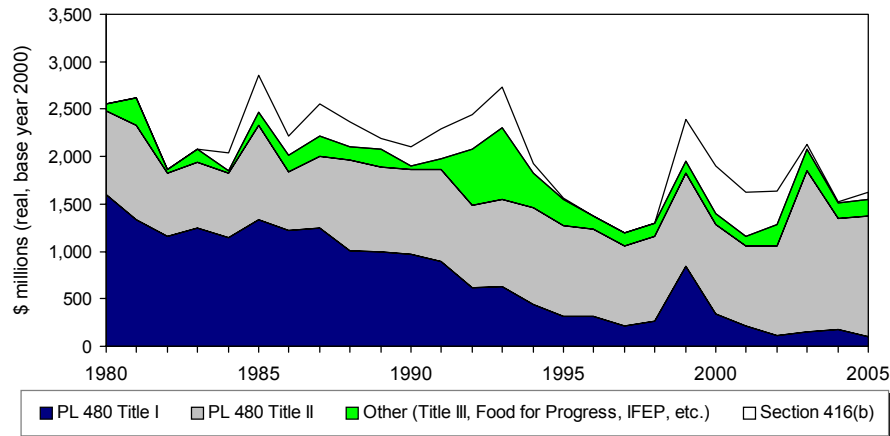
##### *5. Shift from Program to Emergency Food Aid in Response to Growing Needs*

U.S. food aid programs have evolved dramatically over the past half century. It really is not your parents’ food aid program any more. What was initially a program based on government-to-government concessional sales on credit—what is known as “program food aid”—under PL480 Title I through the 1970s is now completely different today. U.S. food aid donations now flow chiefly to private nongovernmental organizations (NGOs)—which received 43% of U.S. food aid shipments in the 2000–2004 period—and to the United Nations’ World Food Program (WFP) which, together with the International Emergency Food Reserve it administers, handled 35% of all U.S. food aid shipments from 2000–2004. These are straight donations, not concessional sales on credit. And they are largely in response to emergencies. Just over 80% of Title II funding in 2005 went to emergency response rather than non-emergency development programming. U.S. food aid has effectively been redirected from government-to-government budgetary and balance-of-payments support through program food aid to emergency response through NGOs and the WFP and, to a limited degree, investments in long-term development to reduce poverty and food insecurity globally.

This shift has meant dramatic reallocation of resources across food aid programs with different objectives. Title I funding has declined 93% in inflation-adjusted terms since 1980 (figure 2), and now comprises only 6.6% of the total U.S. food aid

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<sup>1</sup> CP accounts for only 5–15% of U.S.-flagged ships’ total containerized cargoes, and three-quarters of U.S.-owned ships are now flagged outside the United States (Barrett and Maxwell, 2005a).



Data Sources: U.S. Department of Agriculture, General Accounting Office, Bureau of Economic Analysis.

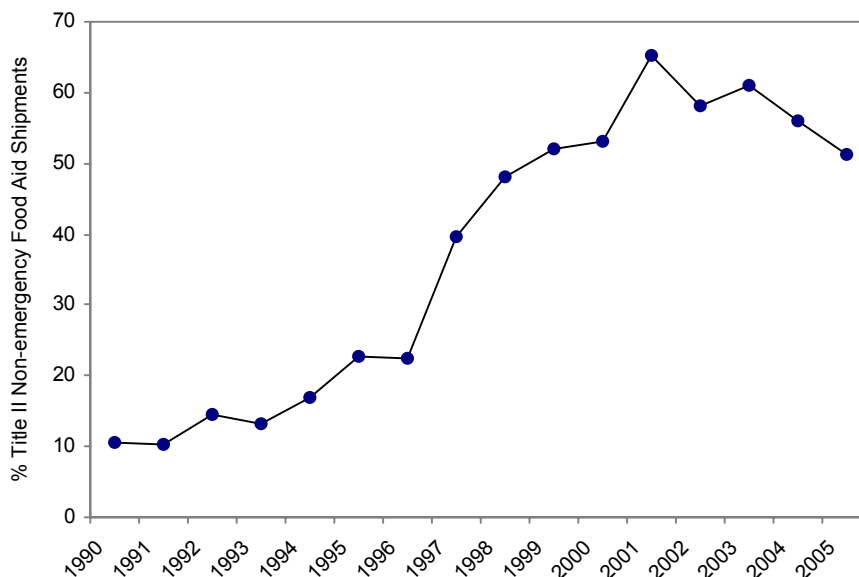
**Figure 2. U.S. food aid programs, fiscal years 1980–2005**

program, down from 62.6% in 1980. The Bush Administration’s FY2007 budget proposes to entirely zero out Title I and Section 416(b) shipments by CCC. Meanwhile, Title II has increased 43% in inflation-adjusted terms over the same period, constituting 77.7% of total U.S. food aid contributions in FY2005, more than double its 34.4% share in FY1980.

The key point to remember about food aid is that it represents a marginal resource. It is too small to matter much for providing farm price support, advancing geopolitical objectives, or sustaining the merchant marine fleet. But the \$1–2 billion appropriated annually for U.S. food aid can make an enormous difference at the margin in times of crisis in places where people are desperately poor and markets do not function well. Indeed, as early warning systems, emergency needs assessment methods, and supply chain management have improved, and as operational agencies’ targeting of needy individuals has likewise grown more effective over the past 20 years, the efficacy of emergency food aid in stemming injurious response to crises (e.g., distress sales of productive assets by the poor) and in sustaining recipients’ nutritional status and health seems also to have improved, although the empirical evidence for this claim remains a bit thin (Bonnard et al., 2002).

#### *6. Relief Traps and Reduced Cash Resources for Development*

The big challenge facing the operational agencies handling food aid today is that available resources do not come close to meeting the demands they face. Cash for medium to long-term development programming grew very scarce over the course of the 1980s and 1990s. When the the 1990 Farm Bill relaxed rules on NGO sales of food aid in developing countries (a practice known as “monetization”), NGOs



Sources: Barrett and Maxwell (2005a) and USAID.

**Figure 3. Non-emergency Title II approved monetization rates**

began using food commodities as a means to raise scarce cash for food security programming. As a consequence, monetization of non-emergency food aid exploded. Several NGOs entered the food aid business expressly for the purpose of generating cash from monetization, and long-standing Title II partner organizations expanded their monetization activities. The result has been the transformation of non-emergency food aid out of direct distribution through school feeding, maternal and child health, and other development projects and into monetization to raise cash resources for food security projects. Where only 10.3% of non-emergency Title II resources were monetized in 1990–91, this statistic rose to 60.1% in 2001–04 (figure 3).

Monetization is controversial, however, for several reasons. First, it is qualitatively similar to program food aid (e.g., Title I), with consequences for import displacement (OECD, 2003) that excite opposition among other WTO member states and sometimes among U.S. commercial exporters, and possible adverse effects on local markets for recipient country producers and traders. It can lead to costly distortions of NGO staffing and operations (Barrett and Maxwell, 2005a). Moreover, many observers consider monetization a terribly inefficient way to put tax revenues to work in valuable development programming in low-income countries, given the large share of expenditures lost to freight, commodity procurement premia, and storage and administrative costs. NGOs such as Technoserve and CARE USA (2005) are thus backing away from much of the monetization in which they have become involved over the past decade.



Monetization is mainly a response to the diminished availability of cash resources for essential non-emergency food security programming. As Barrett and Carter (2002) put it, United States foreign assistance has become caught in a “relief trap,” with emergency response crowding out longer-term investments to preempt future emergencies, causing a vicious cycle of emergency, then modest relief response, and predictable follow-on emergencies. Development interventions are as necessary as ever to reduce the likelihood of emergencies. But as recent studies emphasize, with the exception of a few special circumstances when monetization is intrinsically valuable as an activity, it appears important to move to replace commodity support for non-emergency development programs via monetization with cash for NGOs to undertake these same activities (Tschirley and Howard, 2003; Barrett and Maxwell, 2005a).

### **What Still Needs to Change?**

While much has changed in the world of food aid since the enactment of PL480 in 1954, and since the last major revision to U.S. food aid programs in the 1990 Farm Bill, more changes seem likely and appropriate. This section addresses several of these.

#### *1. Recasting Food Aid in Support of Millenium Development Goal #1*

The United States has joined the rest of the United Nations in endorsing the Millenium Development Goals, the first of which is to reduce by half, by the year 2015, the proportion of people (a) living on less than one dollar a day, and (b) who suffer from hunger. Food aid plays an essential role in saving lives in emergencies by preventing widespread famine. It fulfills the human right to food enshrined in the Universal Declaration of Human Rights. When properly targeted to food-insecure recipients, food aid is important to protecting the few productive assets the poor own, most especially the health and labor power of adults and children (Quisumbing, 2003; Barrett and McPeak, 2005; Yamano, Alderman, and Christiansen, 2005). And when it is not only properly targeted to needy individuals but also distributed during periods when need is most acute, food aid can likewise obviate seasonal liquidity constraints that otherwise cause periodic undernutrition and underuse of productive inputs, thereby helping boost productivity on semi-subsistence farms (Bezuneh, Deaton, and Norton, 1988; Barrett, Bezuneh, and Aboud, 2001; Abdulai, Barrett, and Hodinott, 2005).

Food is a critical resource but not the only resource and not always the most useful resource to address development or emergency conditions. Thus food aid must be a complement to other resources, embedded within a development strategy to fulfill universally agreed human rights, facilitate wealth accumulation and trade, and reduce poverty. This requires some recasting of old-fashioned, resource-driven food aid programs based on procurement of commodities from domestic agribusinesses and of freight services from U.S. carriers.

Efficacy in achieving this goal depends fundamentally on how tightly focused food aid becomes on maximizing the poverty and hunger reduction impact of food aid. Food aid resources are too modest to be effective if they are not well-focused on the primary goal for which they are relevant and effective: humanitarian response and development assistance. This requires a number of further changes in U.S. food aid programs. First and foremost, it requires an explicit statement in the next Farm Bill that the *sole* objective of U.S. food aid programs is to advance short-term humanitarian and long-term development goals in low-income countries. The rest of the impending and necessary changes to U.S. food aid programs follow naturally from that recasting of the goal for food aid (Barrett and Maxwell, 2005a).

## *2. The Golden Hour and Partial Untying for Procurement Flexibility<sup>2</sup>*

In emergency medicine, the “Golden Hour” is the first 60 minutes after an accident or the onset of acute illness, the window during which the chances for saving a patient and permitting full recovery are greatest. The international humanitarian community has generally internalized the principle of the Golden Hour: Rapid response is essential. Food aid procurement policy nonetheless stands in the way. In 2000, the average delay in delivering emergency food aid—the time between a formal, bureaucratic request and port delivery in the affected country—was nearly five months because current rules require all U.S. food aid to be grown in and shipped from the United States (Barrett and Maxwell, 2005a). Meanwhile, a child dies every five seconds from hunger-related causes.

In its FY2006 and FY2007 budget proposals, the Bush Administration proposed relaxing food aid procurement rules to allow up to one-quarter of Title II emergency resources to be used for purchasing food in or near the developing countries in which the food is to be distributed. Such so-called “local and regional purchases” are not a magic bullet, nor are they always the best method for getting food to an emergency quickly. But, on average, local and regional purchases permit a more rapid response at a lower cost per unit of food than we get from shipping commodities from North America (Clay, Riley, and Urey, 2004; Barrett and Maxwell, 2005a). The Canadian government recognized the merits of this approach and in September 2005 increased the share of its food aid open to local and regional purchases from 10% to 50%. The World Food Programme (WFP) has sharply increased its use of local and regional purchases since 2000, spending \$684 million on this procurement method in 2004 alone, especially from countries such as South Africa, India (both of which provided more food to WFP than did the United States), Pakistan, Ethiopia, Turkey, Thailand, Uganda, and Kazakhstan (WFP, 2006). The United States is the only major donor nation that still blocks local and regional purchases.

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<sup>2</sup> This section draws heavily on Barrett and Maxwell (2005b).

Partially untied food aid in the form of local and regional purchases is one of the concessions sought by the European Union in the Doha Round WTO negotiations. Like so much else in trade liberalization, there are strong reasons to make unilateral reforms irrespective of what corresponding reforms others might make. In this case, the opportunity to lock in a sizeable reduction of \$2 billion or more in EU agricultural export subsidies offers a major win-win opportunity. American agriculture can benefit from reduced European subsidization of our competitors, while U.S. humanitarian assistance can become more timely and efficient by reframing food aid procurement policies in accordance with the Golden Hour principle.

### *3. Decoupling Humanitarian Response from Agribusiness and Maritime Support Programs*

Now that the Maritime Security Program (MSP) provides a cleaner mechanism for subsidizing the U.S. merchant marine than does cargo preference (CP), CP is overdue for a rollback. With freight costs now commonly equaling or exceeding the cost of commodity procurement, and given the double-dipping in which carriers can legally engage when carrying most food aid shipments, the government could save critical funds by eliminating CP in favor of a bolstered MSP. Part of these gains would come through induced reductions in commodity procurement costs, since CP restrictions often force the government to pass over the lowest acceptable commodity bid in favor of a more expensive one matching with a freight bid that complies with CP restrictions.

Further savings could be achieved by ending or reducing subminima for bagging and processing. There exist many settings for which micronutrient fortified and processed commodities are critically important, especially in therapeutic feeding during emergencies. Nonetheless, the existing statutory restriction that at least half of all food aid must be bagged or processed ignores the need to match resources to needs in a given context. In many contexts, cheaper, bulk commodities provide the essential nutrients (mainly calories) recipients need. In such cases, the additional costs of processing only help the agribusinesses that sell the processed commodity. Recipients would be better off receiving more nutrients for the money spent. Denmark recognized the soundness of this notion and substantially overhauled its food aid program in the early 1990s, replacing canned meat and processed cheese with bulk basic grains, wheat flour, peas, and vegetable oil. As a direct result of these relatively simple changes, by 1997 Danish food aid provided six times more calories and three times more protein than it did in 1990, and at lower cost (Barrett and Maxwell, 2005a). Total sales from Danish agriculture were unchanged, although there was some redistribution of earnings and employment from the processing, dairy, and meat subsectors to the grains, peas, and vegetable oil subsectors. The United States could similarly let the case for bagging and processing turn on nutritional and logistical needs assessments.

The Bush Administration's fiscal year 2007 budget proposed zeroing out the Section 416(b) and Title I food aid programs administered by USDA for the purposes of commercial export market development. Ending credit-based programs is another concession to WTO member states (many of which are strongly in favor of disciplines that would require all food aid be given as grants) which the U.S. should arguably undertake unilaterally for its own benefit. Cumulative outstanding debts under Title I owed by recipient country governments now total \$8.6 billion. Given the U.S. government's debt relief programs for developing countries in recent years, it remains an open question as to how much of this sum will ultimately be collected and at what cost. It would be far simpler going forward to offer food aid only in grant form rather than as subsidized loans. Clearly, the historical evidence indicates that food aid fails as a trade promotion vehicle.

#### *4. Restored or Expanded Cash Resources for Food Security Programming*

Many nongovernmental organizations (NGOs) offered at best lukewarm support for the Bush Administration's FY2006 budget proposal to permit local and regional purchases of food aid because, they argued, this proposal missed the fundamental issue: the need for expanded resources for food security programming. They make a good argument. Food aid can only succeed as part of a broader strategy to combat poverty and food insecurity because the best way to meet emergency needs is to effectively address the structural causes leading to emergencies, and thereby head off crises before they arise. Such a strategy requires resources and renewed commitment on the part of bilateral and multilateral donors to finance long-term development interventions which do not require food commodities, as well as a continued commitment to provide food where nourishment is the appropriate resource for the challenge at hand.

Such commitment is feasible but absent today. American voters and taxpayers believe the United States government spends much more on development assistance than it actually does, and they routinely express support for spending more, especially for hunger eradication. As economist Jeffrey Sachs (2004) has argued, "We must have leaders who recognize that the problems of the poor aren't trifles to leave to do-gooders, but are vital strategic issues.... In the case of a superpower, ignorance is not bliss; it is a threat to Americans and to humanity."

The claim that the executive and legislative branches simply will not support increased or transformed foreign aid is not supported by recent evidence. U.S. foreign aid flows are up by nearly two-thirds since 2000, from \$9.96 billion in calendar year 2000 to \$16.25 billion in 2003 (U.S. Department of State, 2004). Statistical analysis finds that when one party is firmly in control of the U.S. government, overseas development assistance rises, suggesting the current environment in fact offers a prime opportunity to make progress (Goldstein and Moss, 2003). Those who espouse the virtues of democratization, new pharmaceuticals,

genetically modified organisms, and other interventions have been successful in eliciting expanded U.S. government funding for those areas in recent years. This should encourage the food aid NGO community that they need only make a clear, strong case for food security programming in order to enjoy growth in resources. There is indeed a strong case to be made that hunger is as much a cause as a consequence of poverty, with each weakening states and undermining the broad foreign policy objectives of the United States government. Regrettably, this case is not being championed energetically today.

### *5. Program Consolidation*

Once food aid programs become focused solely on humanitarian and development objectives, it would make sense to bring the remaining programs—Title II, Food for Progress, the McGovern-Dole International Food for Education and Child Nutrition Program, and the Bill Emerson Humanitarian Trust—under a single program administered by USAID. Title II would be managed based on appropriated resources for humanitarian response to emergencies. Food for Progress and McGovern-Dole could become the programs for appropriated resources for long-term development in agriculture and child nutrition and education, respectively, including the provision of food-based safety nets. The Emerson Humanitarian Trust would continue as a buffer stock with which the U.S. government can respond to unanticipated needs for emergency response. This would help achieve focus and save on unnecessary bureaucratic expenses caused by substantial overlap of staffing across two agencies (USDA and USAID).

### *6. Viable Global Food Aid Governance<sup>3</sup>*

Existing international mechanisms governing food aid are dysfunctional and outdated, failing to defuse increasingly strident controversies that surround food aid. The only international accord with legal status, the Food Aid Convention (FAC), has no mechanism for effectively monitoring or enforcing signatories' compliance with the terms to which they have agreed. Some signatories (e.g., Canada) have thus violated the terms of the treaty with impunity. Moreover, the FAC membership consists only of donor countries—seven countries plus the European Union and its member states—leaving it unable to address myriad issues involving recipient governments or operational agencies, such as acceptance of genetically modified food aid.

A parallel body with technical monitoring capacity, the Consultative Subcommittee on Surplus Disposal (CSSD) of the Food and Agriculture Organization of the United Nations (FAO), is routinely ignored by its donor members. Less than 5% of

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<sup>3</sup> This section draws directly from Barrett and Maxwell (2006).

2000–02 global food aid flows were reported under CSSD's required notification mechanism (Barrett and Maxwell, 2005a). CSSD has become viewed as an anachronistic irrelevance by most parties. Finally, Article 10 of the WTO's 1994 Uruguay Round Agreement on Agriculture offered little beyond the CSSD and FAC limits.

Dan Maxwell and I have proposed a simple, practicable solution to the present mess, a Global Food Aid Compact (GFAC) which would include recipient country governments and NGOs, as well as donor country governments, drawing on existing technical expertise in FAO, OECD/DAC, and WFP, utilizing the effective dispute resolution mechanism and credible enforcement power of the WTO, and adding an all-parties code of conduct to enhance transparency and to explicitly recognize the rights of poor people (Barrett and Maxwell, 2006). There is precedent for an arrangement such as GFAC: the WTO's Sanitary and Phytosanitary Agreement of 1994, which acknowledges that the public good of assuring animal, human, and plant health provides a credible reason to permit some disruption of commercial imports. The same logic applies to the public good of ensuring the food security of vulnerable peoples. Variants of the GFAC idea are currently being mooted within the FAC, CSSD, WTO, and various donor agencies. Serious discussion of such reforms will need to begin in earnest as soon as the details of the WTO Doha Round Agreement on Agriculture modalities with respect to food aid are agreed. The U.S. government would be wise to push for more effective global governance of food aid so as to reduce unnecessary frictions that impede the efficacy of its programs, the world's largest and longest standing.

## **Conclusions**

Much has changed in the world of food aid and much still needs to change. Food aid has been successful in achieving its surplus disposal and humanitarian objectives historically. It remains an important policy instrument today, but for markedly different reasons than when it was launched back in 1954, even when it was last seriously revisited in the 1990 Farm Bill. It's not your parents' program any more. Government-held surpluses are gone, there now exist better ways to assist the merchant marine than through cargo preference, trade liberalization offers new opportunities as well as new disciplines on trade promotion programs, and demand for and skill in emergency response have both increased sharply over the years. Part of the obstacle in contemporary debates about food aid—whether in WTO ministerials or in the halls of Congress—is that many people have failed to notice these striking and crucial changes. But there also remains work to be done before U.S. food aid is effectively deployed to meet the needs of the world's poor and hungry. Recent budget battles in Washington and trade battles in Geneva and Hong Kong have perhaps started the ball rolling. But much of the real work will necessarily wait for the next Farm Bill negotiations.

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