

**Opening Statement of the Honorable Ed Royce (R-CA), Chairman
House Committee on Foreign Affairs
Hearing on “Modernizing U.S. International Food Aid: Reaching More for Less”
June 12, 2013**

(As Prepared for Delivery)

The Committee will come to order. Today we meet to discuss bringing more flexibility, efficiency and effectiveness to U.S. international food aid.

Nearly sixty years ago, the U.S. government set up a system to buy surplus food and donate it overseas. In an effort to bolster domestic farmers and shippers, this was mandated to be U.S. grown and shipped. Decades ago, that may have made *some* sense.

But farm markets have changed substantially since policy was set in the Eisenhower Administration. Food prices and U.S. agricultural exports have reached historic highs. In fact, the past four years have been the strongest in history for agricultural exports. Food aid now accounts for less than *half a percent* of net farm income. This farm subsidy is now indefensible.

Another impediment to an effective, efficient program is the requirement that 50 percent of U.S. food aid be shipped on U.S. flagged vessels. Decades ago, this “cargo preference” was seen as a way to ensure a reserve of ships and crew for the U.S. Navy in times of war. But by restricting competition to the few U.S. flagged ships still sailing – the majority of which do not meet the Maritime Administration’s age-based criterion – cargo preference *adds* \$140 million in transportation costs each year. Delivery times are lengthened by *months*.

On average, only about two-to-four U.S. flag carriers place bids per food shipment, making the system prone to manipulation. Due to a complex set of holding companies, most of these “American” vessels are foreign-owned. As one witness will testify today, in the past decade, fifty percent of the food aid budget has been eaten up by transportation costs. Today, the U.S.-flagged requirement simply serves the interests of a handful of companies. In fact, the Pentagon has determined that an easing of cargo preference requirements would have *no* tangible effect upon U.S. maritime security.

Perhaps the worst abuse of the U.S. food aid program is “monetization,” the process by which Washington supplies American commodities to private groups, to be sold overseas. The Government Accountability Office called monetization “inherently inefficient,” and found that it resulted in a loss of \$219 million over three years.

Worse, dumping commodities often destroys local markets, putting local farmers out of business, while increasing the dependency on food aid that we’d like to see end. That’s why you’ve seen some countries like Rwanda shut down this easily abused practice.

Given our fiscal constraints, we must be prepared to do more with less. We must replace entitlements for a few with tools that would provide more flexibility, efficiency and effectiveness. And we can do this in a bipartisan way. I'm encouraged that President Obama has proposed to loosen the restrictions on U.S.-bought commodities, so that more food can be bought closer to a crisis. With the "Farm bill" scheduled for floor consideration this month, Members will have a chance to advance this common sense reform.

In recent years, there has been a lot of focus in Washington on foreign assistance reform. In my eyes, this food aid reform proposal is an acid test. If Congress can't agree to help more people in less time and at less cost, then there is little hope for broader foreign aid reform. I hope we can do better than that.

I'll now turn to Ranking Member Engel for his opening remarks.