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Chairman Royce, Ranking Member Engel, honorable Members of the Committee:

Thank you for the opportunity to testify today and to summarize what the best recent research tells us about current United States food aid policies and alternative approaches to addressing global food insecurity. My name is Chris Barrett. I am a Professor of Applied Economics and Management and serve as Director of the Charles H. Dyson School at Cornell University, one of the nation's leading undergraduate business schools. I have studied United States (US) and global food aid policies for more than 20 years, including publishing more than two dozen peer-reviewed journal articles and three books on the topic.[1]

The body of research on food aid is extraordinarily clear. Restrictions imposed on US international food aid programs waste taxpayer money at great human cost. Relative to the reformed food assistance programs operated by other countries and by private non-profit agencies, the costs of US food aid are excessive, delivery is slow, and the programs have not kept pace with global emergency needs. And there is no hard evidence of benefits to American agriculture, maritime employment or military readiness. No debate remains among serious scholars who have studied the issue: US food aid reform is long overdue.

It is important to recognize that US food aid is a limited and declining resource. Inflation-adjusted US international food assistance spending has declined 80% since the mid-1960s high.[2] Given limited resources, the US must be far more strategic with its international food assistance budget in helping the roughly 800 million people who are undernourished,[3] much less the billions – including half the world's children ages six months to five years – who suffer mineral

[1] Christopher B. Barrett and Daniel G. Maxwell (2005), *Food Aid After Fifty Years: Recasting Its Role* (London: Routledge); Christopher B. Barrett, Andrea Binder and Julia Steets, editors (2011), *Uniting on Food Assistance: The Case for Transatlantic Cooperation* (London: Routledge); Christopher B. Barrett, editor (2013), *Food Security and Sociopolitical Stability* (Oxford: Oxford University Press).
[2] Randy Schnepf, *U.S. International Food Aid Programs: Background and Issues*. Congressional Research Service report R41072, April 2015.
[3] Food and Agriculture Organization of the United Nations, *The State of Food Insecurity in the World 2015* (Rome: FAO).

and vitamin deficiencies that harm their health and cognitive development, often irreversibly.[4] Disasters occur with greater frequency than ever before and cost an estimated 42 million human life years annually, mostly in low- and middle-income countries.[5] The number of refugees and displaced persons worldwide is now the highest on record,[6] yet the World Food Programme is chronically underfunded relative to the emergency needs to which it responds and has had to cut aid to refugees from, among others, Somalia, South Sudan and Syria. And that's just the countries with names that start with an S. We must concentrate scarce food assistance resources where they have the greatest impact and avoid needless waste that costs lives. Hence the need to reform US food aid programs.

Statutory restrictions imposed on US international food aid programs waste money and cost lives. There are four main sources of deadly waste.

First, under the Food For Peace Act (FFPA), first authorized in 1954 and commonly known as PL480, all agricultural commodities must be bought in the United States and shipped to recipients abroad. That restriction perhaps made sense in 1954, when the US government ran generous grain price support programs that resulted in massive government held surpluses that were cheaper to dispose of abroad than to store. But those programs unwound in a succession of Farm Bills from 1985 to 1996 so that the government no longer holds large commodities stocks and the resulting surplus disposal purpose no longer applies.

The most efficient way to help hungry people abroad access food is typically to provide them with cash or electronic transfers, or with food purchased locally or regionally, so-called LRP (for local and regional procurement). This common sense practice is now global best practice employed by all major donors' food aid programs, *except the United States*. The peer-reviewed scientific evidence shows very clearly that, far more often than not, LRP and cash or electronic transfers save time, money and lives, while providing foods that are equally healthy and safe and are preferred by recipients over commodities shipped from the US.[7]

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[4] *Investing in the future: A united call to action on vitamin and mineral deficiencies. Global Report 2009* (Ottawa: The Micronutrient Initiative). Christopher B. Barrett and Leah E.M. Bevis (2015), "The Micronutrient Deficiencies Challenge in African Food Systems," in David E. Sahn, editor, *The Fight Against Hunger and Malnutrition: The Role of Food, Agriculture, and Targeted Policies* (New York: Oxford University Press).

[5] United Nations Office for Disaster Risk Reduction (2015). *Making Development Sustainable: The Future of Disaster Risk Management. Global Assessment Report on Disaster Risk Reduction* (Geneva: UNISDR) .

[6] United Nations High Commissioner for Refugees (2015), *World At War: Global Trends, Forced Displacement in 2014* (Geneva: UNHCR).

[7] Erin C. Lentz, Christopher B. Barrett, Miguel I. Gomez and Daniel G. Maxwell (2013), "On The Choice and Impacts of Innovative International Food Assistance Instruments," *World Development* 49(9): 1-8; William J. Violette, Aurélie P. Harou, Joanna B. Upton, Samuel D. Bell, Christopher B. Barrett, Miguel I. Gómez and Erin C. Lentz (2013), "Recipients' Satisfaction with Locally Procured Food Aid Rations: Comparative Evidence From A Three Country Matched Survey," *World Development* 49(9):30-43. Erin C. Lentz, Simone Passarelli, Christopher B. Barrett (2013), "The Timeliness and Cost-Effectiveness of the Local and Regional Procurement of Food Aid," *World Development*, 49(9): 9-18; Aurélie P. Harou, Joanna B. Upton, Erin C. Lentz, Christopher B. Barrett, and Miguel I. Gómez (2013), "Tradeoffs or Synergies? Assessing local and regional food aid procurement through case studies in Burkina Faso and Guatemala," *World Development* 49(9): 44-57; US Government Accountability Office (GAO) (2009), International Food Assistance: Local and Regional Procurement Can Enhance the Efficiency of U.S. Food Aid, but Challenges May Constrain Its Implementation, GAO-09-570

For example, a nine-country study found that, on average, the cost savings for grains purchased locally relative to grains purchased within the United States was 53%. For pulses and legumes, the average savings was 25%.[8] LRP is not the answer everywhere; but in order to use taxpayer dollars effectively to relieve human suffering associated with acute malnutrition, food aid managers must have the flexibility to use LRP, cash and electronic transfers as well as in-kind shipments from the US.

The same study, confirming other findings, also reported that on average LRP, cash, or vouchers reduced food aid delivery times by 14 weeks relative to transoceanic food aid, even more when shipping to landlocked countries.[9] Increasing the timeliness is particularly important for food insecure children because the first thousand days of a child's pre- and post-natal existence—from conception until the second birthday—is the most critical window for nutrition during a person's life. A huge body of research has conclusively established that timely and effective intervention to ensure good nutrition and health during the first thousand days yields enormous benefits throughout the life course: higher educational attainment, increased physical stature, improved health, higher adult earnings, and healthier offspring.[10] Saving 14 weeks – 10% of the first thousand days – in the delivery of food assistance can have a substantial, lifelong effect on human capital development, with important and significant long-term implications for economic growth and poverty reduction. In Burkina Faso school feeding programs, locally procured rations delivered more fat and protein, at 38% lower cost per child, than did the rations shipped from the US. [11] That makes a huge difference. Yet, despite the rigorously documented gains that come from LRP, the Congress has yet to appropriate a penny for the unnecessarily small USDA LRP Program authorized for the first time in the 2014 Farm Bill.

Second, at least 50% of US food aid must be shipped on US flagged vessels under cargo preference provisions. This policy, like most anti-competition regulatory restrictions, drives up costs. A raft of recent studies have consistently found that cargo preference inflates ocean freight costs by 23-46% relative to open market freight rates.[12] USAID and USDA are no longer reimbursed for any of these excess costs. The net result is that $40-50 million appropriated each year to feed starving children gets diverted to windfall profits to (mainly foreign) shipping lines (on which, more below). Therefore, once the cargo preference restriction was lowered from 75%

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[8] Lentz, Passarelli, and Barrett (2013).

[9] Lentz, Passarelli and Barrett (2013), GAO (2009); Barrett and Maxwell (2005).

[10] Black, Robert E., Cesar G. Victora, Susan P. Walker, Zulfiqar A. Bhutta, Parul Christian, Mercedes De Onis, Majid Ezzati, Sally Grantham-McGregor, Joanne Katz, Reynaldo Martorell and Ricardo Uauy (2013), "Maternal and child undernutrition and overweight in low-income and middle-income countries." *Lancet* 382 (9890): 427-451; Black, Robert E., Lindsay H. Allen, Zulfiqar A. Bhutta, Laura E. Caulfield, Mercedes De Onis, Majid Ezzati, Colin Mathers, Juan Rivera, and Maternal and Child Undernutrition Study Group (2008). "Maternal and child undernutrition: global and regional exposures and health consequences." *Lancet* 371(9608): 243-260.

[11] Harou et al. (2013).

[12] Elizabeth R. Bageant, Christopher B. Barrett and Erin C. Lentz (2010), "Food Aid and Agricultural Cargo Preference," *Applied Economic Perspectives and Policy* 32(4): 624-641; Phillip J. Thomas and Wayne H. Ferris (2015), *Food Aid Reforms Will Not Significantly Affect Shipping Industry or Surge Fleet*, George Mason University report; US Government Accountability Office (2015), *International Food Assistance: Cargo Preference Increases Food Aid Shipping Costs, and Benefits Are Unclear*, GAO 15-666; Stephanie Mercier and Vincent Smith (2015), *Military Readiness and Food Aid Cargo Preference: Many Costs and Few Benefits* (Washington: American Enterprise Institute)

to 50% in July 2012, USAID immediately increased substantially its shipments on foreign-flagged vessels in order to save money and better assist the hungry.[13]

Third, by law at least 15% of non-emergency food aid must be monetized, the practice of selling donated US commodities in recipient country government. Monetization is a wasteful practice.[14] Open market monetization uses a taxpayer dollar to purchase food and international freight services in order to convert it back into 70-75 cents when the food is sold – 'monetized' – in a recipient country market. Put simply, monetization loses money for no benefit. GAO estimated that the inefficiency of the monetization process reduced funding available for development projects by more than $70 million annually. To the Congress' credit, the 2014 Farm Bill increased section 202e cash funding to cover the non-commodity costs associated with food aid deliveries, effectively removing the need for operational agencies to monetize Title II food aid beyond the statutory minimum. But that minimum still generates significant inefficiencies. And USDA Food for Progress resources remain heavily monetized.

Furthermore, monetization can also destabilize commodity markets in recipient countries.[15] This undermines the productivity and commercial viability of the very farmers, traders and processors the monetization-supported programs aim to help.

Fourth, current law requires that between 20 and 30% of FFPA funding, and no less than $350 million, be available for non-emergency food aid. Most non-emergency food aid projects are probably very beneficial. But that's the wrong standard to use. The right question to ask is whether non-emergency food aid is the *best possible* use of those resources. And the answer is either 'no' or, at best, 'it depends'.[16] In emergencies, timely response matters, as reflected in the Golden Hour principle of emergency medicine, that rapid intervention is needed in response to trauma. With the number of people affected by disasters and war at an all-time high and budgets tight, there is insufficient food aid available to handle emergencies, where the bang for the food aid buck is greatest. Had Super Typhoon Haiyan struck the Philippines two months earlier in 2013, before the close of the federal fiscal year rather than at the start of the next one, the US government would have been unable to tap FFPA resources to respond because the non-emergency minimum was binding.

Effective disaster response requires flexibility in funding. Until this hard earmark on non-emergency food aid was introduced with the 2008 Farm Bill, the USAID administrator had authority to use as much of the total food aid budget for emergency needs as is necessary to respond to humanitarian disasters, and exercised that authority in each of the previous 20-plus

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[13] GAO (2015).

[14] Christopher B. Barrett and Erin C. Lentz, *U.S. Monetization Policy: Recommendations for Improvement*, Chicago Council on Global Affairs Policy Development Study Series, December 2009; GAO (2011), *International Food Assistance: Funding Development Projects through the Purchase, Shipment, and Sale of U.S. Commodities Is Inefficient and Can Cause Adverse Market Impacts*, GAO-11-636.

[15] Teevrat Garg, Christopher B. Barrett, Miguel I. Gómez, Erin C. Lentz, and William Violette (2013), "Market Prices and Food Aid Local and Regional Procurement and Distribution: A Multi-Country Analysis," *World Development* 49(9): 19-29.

[16] Barrett and Maxwell (2005).

years to address underfunded disasters. This necessarily diverted funds from desirable non-emergency food aid projects that build rural roads, provide school lunches or enhance small farmers' productivity. But saving lives and preventing disaster victims' collapse into poverty traps is the first-best use of food aid; so such tradeoffs are unfortunately necessary sometimes.

The four sources of economic waste – (1) lack of flexibility to use cash-based programming, (2) cargo preference, (3) the statutory minimum on monetization, and (4) earmarks for non-emergency programs – result in great cumulative economic and human costs. American taxpayers spend far more on shipping and handling than on food. Every tax dollar spent on US food aid yields only 35-40 cents of food commodities available to hungry or disaster-affected people.[17] Canada has no such restrictions and makes far more extensive use of LRP, cash, and vouchers. As a result, its taxpayers get roughly twice as much – almost 70 cents' worth of food – from every food aid dollar spent.[18]

And what are the human costs of these wasteful restrictions? It costs roughly $125 per child life-year saved to manage the acute malnutrition that routinely arises in the wake of natural disasters and conflict.[19] Based on conservative, back-of-the-envelope estimates based on the research cited above, the $350-400 million/year wasted on cargo preference, monetization and in-kind shipments where cash-based alternatives would be cheaper, effectively costs at least 3 million child life-years annually. Given global life expectancy at birth of roughly 70 years, a conservative estimate is that we sacrifice 40-45,000 children's lives annually because of antiquated food aid policies.

And what is the Congress buying taxpayers for 3 million child life-years lost annually? Tragically, very little.

The special interests that defend cargo preference claim it advances military readiness. But that myth has been conclusively exploded by multiple careful recent studies that find the overwhelming majority of the agricultural cargo preference fleet is out-of-date and fails to satisfy the Department of Defense standards of militarily usefulness.[20] The Maritime Security Program (MSP) – enacted in 1996 – pays militarily useful vessels $3.1 million per year as essentially a call option on vessel and crew. This meets military sealift requirements. Indeed that the MSP program is underutilized over the past 14 years' intense military engagement overseas, the government-owned Ready Reserve Fleet (RRF) and the MSP fleet have never been fully activated, and only 3 of 46 RRF vessels are currently active.[21] In 60-plus years of cargo preference, the Department of Defense has *not once* mobilized a mariner or vessel from the non-

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[17] USAID (2014), *Food for Peace: Behind the Numbers;* GAO(2014), *International Food Aid: Better Agency Collaboration Needed to Assess and Improve Emergency Food Aid Procurement System,* GAO-14-22.
[18] Erin C. Lentz and Christopher B. Barrett (2014), "The Negligible Welfare Effects of the International Food Aid Provisions in the 2014 Farm Bill," *Choices* 29(3): http://www.choicesmagazine.org/magazine/pdf/cmsarticle_386.pdf.
[19] Bhutta, Zulfiqar A., Jai K. Das, Arjumand Rizvi, Michelle F. Gaffey, Neff Walker, Susan Horton, Patrick Webb, Anna Lartey, Robert E. Black (2013). "Evidence-based interventions for improvement of maternal and child nutrition: what can be done and at what cost?" *Lancet* 382(9890): 452-477.
[20] Bageant et al. (2010), Thomas and Ferris (2015), GAO (2015), Mercier and Smith (2015).
[21] GAO (2015).

MSP cargo preference fleet despite a dozen or more foreign campaigns by the US military, several of them – like Vietnam, Iraq and Afghanistan – sustained and intense. MSP provides a far more effective and efficient means of ensuring adequate military sealift capacity than a cargo preference system that mainly rewards the (largely foreign) owners of non-militarily useful ships that sail under a US flag expressly to tap the profits generated by anti-competition regulatory restrictions. Hence the Departments of Defense and Homeland Security's clear support in recent years for food aid reforms.[22]

Proponents of the status quo also advance claims of employment effects based on absurd assumptions of economic multipliers and that no alternative employers exist. Yet, the 2012 reforms that reduced cargo preference coverage from 75% to 50% do not appear to have led to a single vessel ceasing ocean freight service nor to the loss of any mariner jobs. And this type of indirect subsidy is so inefficient that any job created comes at a taxpayer cost of about $100,000.[23] Are you willing to trade 11 or 12 children's lives for a single job?

Moreover, elementary economics tells us that the bulk of those windfall profits accrue not to workers who can move across sectors but rather to the owners of the fixed factors of production, that is, to vessel owners. The industry refuses to make available to researchers the data necessary to make credible estimates of the likely employment effects of relaxing current restrictions on US food aid. But the small number – hundreds – of mariners who hypothetically could be affected by food aid reforms – could be readily absorbed by one of the more than 38,000 US flagged coastal freight vessels operating under the Jones Act.[24] Furthermore, most cargo preference vessels are ultimately owned by foreign corporations. Vessels owned by just three foreign shipping lines that control US subsidiaries – the A.P. Moller-Maersk Group from Denmark, Neptune-Orient Lines from Singapore, and Hapag-Lloyd of Germany – accounted for 45% of all food aid carried by US flagged ships from 2012 through mid-2015.[25] So the profiteers from anti-competitive statutory restrictions on US food aid are not even American.

Some proponents of in-kind food aid claim that food aid purchase in the United States somehow helps American farmers. There is not a single careful study that supports such a claim. The simple fact is that US food aid programs procure hundreds of millions of dollars' worth of commodities in a several hundred billion dollar US agricultural industry that is tightly integrated into a nearly $4 trillion global agricultural economy. US food aid is a drop in the ocean of the global agricultural market. Food aid procurement has no effect on the prices farmers receive, even for the commodities (such as sorghum, lentils, dried beans or peas), for which US food aid programs absorb five percent or more of domestic production.[26] Farm prices are set by global markets.

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[22] US Department of Homeland Security letter dated April 17, 2014 (http://www.scribd.com/doc/220264499/DHS-Coast-Guard-Letter, accessed October 4, 2015); Undersecretary of Defense letter dated June 18, 2013 (https://www.documentcloud.org/documents/814075-pentagon-letter-on-food-aid-reform.html, accessed October 4, 2015).

[23] Bageant et al. (2010).

[24] Maritime Administration estimate: http://www.marad.dot.gov/ships-and-shipping/domestic-shipping/ (accessed October 4, 2015).

[25] Mercier and Smith (2015).

[26] Mercier and Smith (2015).

In an alarmist last ditch attempt to save the restrictions that generate windfall gains for them, some proponents of the status quo claim that purchasing food abroad under cash-based programs compromises food safety and quality. This conjecture is false. A careful recent study in Burkina Faso found the quality and safety of locally procured commodities was equal to or better than that of commodities shipped from the United States.[27] Why? As any chef or trader knows, it is intrinsically easier to assure food quality and safety when one can inspect – and reject substandard – shipments before paying the vendor. Spoilage is commonplace in trans-oceanic shipments, for which replacement deliveries are effectively impossible (and expensive). Consumer satisfaction surveys among food aid recipients in multiple countries likewise find no advantage from commodities shipped from the US over those locally procured.[28]

Another myth is that cash-based food aid programs are somehow more vulnerable to theft and corruption, although not a shred of serious evidence exists to support this claim. Modern cash-based food assistance programs routinely make use of advanced biometric sensors to confirm recipients' identity. High rates of loss of food shipments have been commonplace, especially in programs that serve conflicted-affected populations. Hence USAID's reliance on cash-based programs funded by the International Disaster Assistance account to serve Syrian refugees. The same logic that leads most of us to send checks rather than bags of rice to CARE, Catholic Relief Services, World Vision, etc. – that it is at least as safe, more flexible, and is cheaper and faster to deliver – should guide US food aid policy.

So what should the Congress do? US food aid has done lots of good in 60-plus years. US food aid is a highly visible symbol of Americans' commitment to feed the world's hungry. But we can do better if the Congress gives the USAID Administrator and Secretary of Agriculture the flexibility to employ current best practices through four reforms: Eliminate (1) the restriction against cash-based international food assistance, (2) the statutory minimum on monetization of non-emergency food aid, (3) the hard earmark that protects less productive non-emergency food aid over emergency assistance, and (4) cargo preference. Honorable members, you have a choice. You can keep the status quo – and keep diverting US taxpayer money from disaster-affected children to foreign companies. Or you can enact changes that will far better serve the world's hungry.

[27] Harou et al. (2013).
[28] Violette et al. (2013).