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**Testimony before the House Foreign Affairs Committee
Hearing on Modernizing Food Aid: Improving Effectiveness and Saving Lives#
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Room 2172, Rayburn House Office Building**

Chairman Royce, Ranking Member Engel, and Honorable Representatives on the Committee:

Thank you for the opportunity to testify today about United States international food aid and food assistance. My name is Erin Lentz. I am an assistant professor at the Lyndon B. Johnson School of Public Affairs, University of Texas Austin. I have studied United States (US) and global food aid and food assistance policies for fourteen years, including publishing 16 peer reviewed articles and 4 book chapters on the topic. My work and other high-quality work in the field, drawing on the best available evidence, all point to the same conclusion: through budget-neutral policy changes, the United States Government's international food assistance and food aid programs can more effectively address global food insecurity. Today, I will highlight three significant policy changes that can improve the effectiveness US food aid and market-based food assistance. These policy changes could save millions of lives, stem forced migration, and ensure that tax dollars do more to help hungry people around the world.

US food aid and market-based food assistance, including vouchers, cash-based mechanisms, and locally and regionally procured foods, save lives. The US has been leading provider of food aid during its current programs' 60-plus year history. In recent years, the US has contributed 40 percent of the global food aid that helps to feed the hungry, making the US the world's largest provider.¹ However, food aid is also an increasingly scarce resource. In inflation-adjusted terms, US funding for food assistance has dropped 76% since the 1960s.²

The need for continued US leadership and involvement in food aid programs is stronger than ever. Recent estimates indicate 815 million people worldwide are undernourished – more than double the US population.³ The US-funded Famine Early Warning System Network (FEWS Net) estimates that approximately 76 million people will need emergency food assistance in 2018. That is 60% more people

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In addition to the works cited directly, this testimony draws significantly on Erin C. Lentz, Stephanie Mercier, Christopher B. Barrett (2017), *International Food Aid and Food Assistance Programs and the Next Farm Bill* (Washington: American Enterprise Institute), and Christopher B. Barrett and Erin C. Lentz (2017), "How to Feed More People Worldwide," *US News & World Report*, June 30.

¹ World Food Programme (2015) "Contributions to WFP in 2015" <http://www.wfp.org/funding/year/2015> Accessed August 29, 2017.

² Randy Schnepf (2016) *U.S. International Food Aid Programs: Background and Issues*, Congressional Research Service, September 14.

³ Food and Agriculture Organization of the United Nations (2017), *The State of Food Security and Nutrition in the World*. Rome: FAO.

than in 2015.⁴ As recently as December 2017, FEWS Net warned that four countries: Nigeria, Somalia, South Sudan, and Yemen are at risk of famine in 2018.⁵

Facing this tremendous level of need and with fewer resources provided, we ought to use available food aid funds as efficiently and effectively as possible. In other words, we must find ways to do more with the resources we have. The upcoming Farm Bill offers an opportunity to further advance the humanitarian impact of ever-scarcer US food assistance resources.

Three changes to current Farm Bill legislation would help reach more food insecure people and reach them faster, thereby maximizing every taxpayer dollar spent. First, expand flexibility of sourcing by relaxing or removing procurement requirements that compel 100 percent commodity purchase in the US. Second, raise the share of resources that can be used as cash for non-commodity costs under Section 202(e). Third, relax or eliminate cargo preference requirements on shipments of food aid commodities procured in the US.

Too much of the available Title II funds authorized through the Farm Bill (approximately \$1.8 billion in fiscal year 2016) is spent meeting burdensome policy restrictions. For every tax dollar spent on US food aid, a number of studies estimate that only \$0.35 - \$0.40 is actually spent on food commodities that feed hungry people.⁶ Much of the rest is spent meeting agricultural cargo preference requirements, which mandate that a portion of US food aid be shipped on uncompetitive US-flagged vessels, and on procuring food aid from the US, even when local market-based assistance would be more cost efficient and faster. These provisions keep American food aid and market-based food assistance from quickly and cost effectively reaching those who need it most.

To reiterate, reforming these provisions matters because food aid and food assistance save lives and livelihoods. A colleague has estimated that roughly 40,000 children's lives are lost annually due to outdated policies, including meeting cargo preference requirements, monetization,⁷ and reliance on in-kind shipments sourced from the US.⁸ One 2016 study estimates that eliminating major constraints on US food aid policy, including cargo preference and US procurement requirements, could reduce child mortality in northern Kenya by 16 percent during severe drought episodes.⁹

⁴ Famine Early Warning System Network (2017) "Large Assistance Needs and Famine Risk Continue in 2018." Accessed February 7, 2018. http://www.fews.net/sites/default/files/Food_assistance_peak_needs_2018.pdf

⁵ Famine Early Warning System Network (2017) "Very large assistance needs and famine will continue into 2018." <http://www.fews.net/global/alert/november-28-2017>

⁶ USAID (2014) *Food for Peace: Behind the Numbers*; US Governmental Accountability Office (GAO) (2014) *International Food Aid: Better Agency Collaboration Needed to Assess and Improve Emergency Food Aid Procurement System*, GAO-14-22. 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, no. 3. <http://www.choicesmagazine.org/choices-magazine/theme-articles/3rd-quarter-2014/the-negligible-welfare-effects-of-the-international-food-aid-provisions-in-the-2014-farm-bill>;

⁷ For a discussion of food aid monetization and its well-documented inefficiencies, see Lentz, Mercier and Barrett (2017); Christopher B. Barrett and Erin C. Lentz (2009) *U.S. Monetization Policy: Recommendations for Improvement*, Chicago Council on Global Affairs Policy, December. <http://barrett.dyson.cornell.edu/Papers/Chicago%20Council%20-%20Policy%20Development%20Study%20on%20Monetization%20-%20December%202009.pdf>; and US 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*, June. <http://www.gao.gov/assets/330/320013.pdf>.

⁸ Christopher B. Barrett (2017) "Testimony before the United States Senate Committee on Foreign Relations Hearing on 'Modernizing the Food for Peace Program.'" October 19.

⁹ Alex Nikulkov et al. (2016) "Assessing the Impact of U.S. Food Assistance Delivery Policies on Child Mortality in Northern Kenya," *PLOS ONE* 11, no. 12. <http://journals.plos.org/plosone/article?id=10.1371/journal.pone.0168432>.

Food aid and assistance can also help families to stay in place and stem forced migration. A 2017 report from the United Nations World Food Programme found that a 1 percent increase in food insecurity increased forced migration by nearly 2 percent.¹⁰ This finding shouldn't be surprising. Hunger will cause us to go to great lengths – and distances – to feed our families. This becomes a vicious cycle where forced migration often leads to more food insecurity and impoverishment in different regions, which in turn causes more migration.

Relax or eliminate domestic procurement requirements

Increasing flexibility of food assistance sourcing would ensure that more of every taxpayer dollar goes to those who need it most and that assistance would arrive faster. Food aid purchased in the US and shipped abroad is the slowest form of food assistance and often the most expensive. In 2013, I co-authored a nine-country study of the USDA Local and Regional Procurement Pilot Program, which found that buying grains in or near the country where the U.S. donates food aid saved 53 percent relative to purchasing grains in the US, 25 percent in the case of legumes and pulses.¹¹ Market-based food assistance also shaved 14 weeks off delivery times compared to purchasing and shipping food from the US.¹²

Ending requirements that food aid must be sourced in the US could allow the US to reach an additional 4 to 10 million people, at no additional cost.¹³ In a four-country study examining Ecuador, Niger, Uganda, and Yemen, researchers found that if everyone received cash rather than food, 18 percent more people could be reached.¹⁴ With savings of between 25 and 53 percent on some products,¹⁵ increasing flexibility of sourcing is perhaps the single-most effective change that could be made to current US food assistance policies.

Beyond cost savings, saving time also matters, for at least two reasons. First, hungry families on the verge of migrating in search of food cannot afford to stay in place and wait those extra months for delivery of assistance.¹⁶ Second, the 14 weeks saved when using the faster market-based food assistance works out to be approximately 10% of the first 1000 days. This 1000 day window between a woman's pregnancy and her child's second birthday is the most critical window for interventions to positively impact a child's cognitive and physical development.¹⁷ Delivering food assistance faster during this crucial period of a child's life can have lifelong benefits.

There are times when food aid procured from the US will be the best option, underlining the importance of allowing for flexible sourcing.¹⁸ For example, in the same nine-country study that found grains and

¹⁰ World Food Programme (2017) *At the root of exodus: Food security, conflict and international migration*. Rome: WFP.

¹¹ 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

¹² Lentz, Passarelli, Barrett (2013).

¹³ Kimberly Ann Elliot and William McKitterick (2013) "Food Aid for the 21st Century: Saving More Money, Time, and Lives," Center for Global Development, June.

¹⁴ Amy Margolies and John Hoddinott (2014) "Costing Alternative Transfer Modalities," *Journal of Development Effectiveness* 7, no. 1. December: 1–16.

¹⁵ Lentz, Passarelli, Barrett (2013); Overseas Development Institute (2015) "Doing Cash Differently: How Cash Transfers Can Transform Humanitarian Aid: Report to the High Level Panel on Humanitarian Cash Transfers," September. <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9828.pdf>; and World Food Programme (2016) "Annual Performance Report for 2015," May 25. <http://documents.wfp.org/stellent/groups/public/documents/eb/wfp282360.pdf>.

¹⁶ World Food Programme (2017).

¹⁷ Zulfiqar A. Bhutta et al. (2013) "Evidence-Based Interventions for Improvement of Maternal and Child Nutrition: What Can Be Done and at What Cost?," *Lancet* 382, no. 9890: 452–77.

¹⁸ Stephanie Mercier (2014) "New and Unique Provisions in the Agricultural Act of 2014," Agree, March. http://www.foodandagpolicy.org/sites/default/files/Farm%20Bill%202014_Mercier.pdf.

pulses purchased locally were cheaper, we found that vegetable oil shipped from the US was often no more costly than vegetable oil purchased locally.¹⁹

There are two myths about flexible purchasing that I would like to address. One is that food aid is less at risk of corruption than market-based food assistance. Recent reviews found little to no evidence that market-based programs are more at risk.²⁰ In fact, well-designed market-based food assistance programs can often reduce the risk of corruption relative to in-kind donations.²¹ For example, electronic cash transfers and vouchers can utilize mobile phone technology to monitor and track funds, minimizing diversion and fraud while improving accountability. Flexibility to choose the most appropriate resource for a given context can help to minimize corruption.

A second myth suggests that US food aid programs benefit American farmers. There is little to no credible evidence that this is the case.²² A recent study found food aid procurement has no effect on the prices farmers receive, even for the commodities for which US food aid programs absorb 5 percent or more of domestic production (such as sorghum, lentils, dried beans, or peas). The reason for this is that the volume of purchases through US food aid programs is too small relative to the agricultural commodity markets to move world commodity prices.²³ But those volumes are enough to save lives in famine-stricken regions and to help families avoid migrating in search of food.

Research shows that there are significant cost and time savings when the right tool is deployed. US food aid programs need flexible sourcing, allowing food to be purchased closer to where it is needed and to distribute cash or vouchers when most appropriate to local conditions and needs. These savings translate into both reaching people sooner and meeting more people's needs.

Maintain or expand Section 202(e) funding

Nongovernmental organizations need cash for administrative, distribution and storage costs. One important source of cash for these costs is Title II funding that can be requested as cash under Section 202(e).²⁴ The 2014 Farm Bill raised the maximum share of 202(e) funds that USAID could make available to NGOs undertaking Title II programs from 13 percent to 20 percent. It also expanded the activities and expenses that Section 202(e) funds are authorized to cover. Cash requested under Section 202(e) now covers much of the non-commodity costs associated with food aid deliveries, effectively removing the need for operational agencies to monetize food aid above the statutory minimum.

Maintaining or increasing the maximum level of 202(e) funding can reinforce the proven positive effects of replacing monetization with cash. Monetization, that is food procured in US and then sold locally and

Overseas Development Institute (2015); and Cash Learning Partnership (2016) "An Agenda for Cash: Part of CaLP's '100 Days of Cash' Initiative," May. <http://www.cashlearning.org/downloads/100daysofcash-agendaforcash---final.pdf>.

¹⁹ Lentz, Passarelli, Barrett (2013).

²⁰ Upton and Lentz (2012) "Expanding the Food Assistance Toolbox" in *Uniting on Food Assistance: The Case for Transatlantic Cooperation*, ed. Christopher B. Barrett, Julia Steets, and Andrea Binder. London: Routledge; Sarah Bailey and Paul Harvey (2015) "State of Evidence on Humanitarian Cash Transfers: Background Note for the High Level Panel on Humanitarian Cash Transfers," Overseas Development Institute, March. <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9591.pdf>

²¹ Laura Gordon (2015) "Risk and Humanitarian Cash Transfer Programming: Background Note for the High Level Panel on Humanitarian Cash Transfers," Overseas Development Institute, May. <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9727.pdf>.

²² Christopher B. Barrett and Daniel G. Maxwell (2005), *Food Aid After Fifty Years: Recasting Its Role* (London: Routledge); Stephanie Mercier and Vincent Smith (2015), *Military Readiness and Food Aid Cargo Preference: Many Costs and Few Benefits* (Washington: American Enterprise Institute).

²³ Mercier and Smith (2015).

²⁴ Lentz, Mercier, and Barrett (2017).

often at a deep discount, is highly inefficient. A 2011 GAO study found cost recovery of monetized food was only 58 cents on the dollar and estimated that up to \$70 million was lost annually due to monetization.²⁵ While open market monetization is currently not heavily relied upon to support Title II projects, monetization nonetheless remains a source of considerable inefficiency and market distortion in the Food for Progress program that USDA runs. Expanding Section 202(e)'s share of funds was perhaps the most impactful reform of the 2014 Farm Bill.²⁶

Relax or eliminate food aid cargo preference rules

A preponderance of evidence indicates that relaxing or eliminating the cargo preference rules would stretch funds for food aid programs farther. No evidence suggests that ending these mandates for food aid programs would adversely impact the US-flagged fleet likely to be called upon during an extended US military deployment overseas.

Cargo preference rules require that 50 percent of food aid purchased in the US be shipped on US-flagged vessels – even when cheaper shipping options of comparable or higher quality are available. The stated goal of this policy is to ensure that US-flagged vessels continue to maintain the capacity to carry goods procured by the US military in times of war. 80% of the total value of cargo shipped under this requirement is military cargo; a relatively small share, 15%, is food aid cargo.²⁷ Thus, food aid programs contribute a small portion of the overall support to US-flagged vessels intended by the cargo preference rule.

However, cargo preference plays an outsize role in food assistance budgets, diverting funds desperately needed for purchasing food. It costs 23-46% more to ship food aid on US-flagged vessels versus competitive freight rates for foreign flagged vessels.²⁸ The most recent estimate of the cost of cargo preference to US food aid programs is about \$50 million per year.²⁹ Since 2015, this cost has been borne entirely by food aid programs. As a result of cargo preference rules, US food aid programs feed an estimated 1.8 million fewer people per year.³⁰

This policy discourages competition for food aid cargo and generates a windfall for ship owners, which are mainly foreign corporations operating US subsidiaries. Three foreign shipping lines, the AP Moller–Maersk Group from Denmark, Neptune Orient Lines from Singapore, and Hapag-Lloyd of Germany, accounted for 45 percent of all food aid carried by US-flagged ships from 2012 through mid-2015.³¹

A myth deployed by the special interests who benefit from this policy is that cargo preference rules support US-flagged vessels that, along with their crews, enhance military readiness in the event of an extended overseas US military engagement. No credible evidence has found that the cargo preference rule applied to food aid has stemmed the long-term decline of the US flagged fleet. Mainly that is because older, smaller, and slower US-flagged ships carry US food aid. Most shipments have been on vessels that

²⁵ US GAO (2011).

²⁶ Lentz, Mercier, and Barrett (2017).

²⁷ Mercier and Smith (2015).

²⁸ 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; Mercier and Smith (2015).

²⁹ Mercier and Smith (2015).

³⁰ Christopher B. Barrett (2017).

³¹ Mercier and Smith (2015).

the USG deemed not militarily useful.³² Officials from both the Departments of Defense and Homeland Security have both recently expressed support for food aid reforms, indicating that cargo preference does not make a substantial contribution to military readiness.³³

Removing cargo preferences will end windfall profits for foreign shipping corporations, stretch taxpayer dollars further, save lives, and reduce forced migration.

Conclusion

The evidence is clear: three policy changes, all of which are budget neutral, would greatly enhance US food aid programs. First, relax or end domestic procurement restrictions on food aid. Second, maintain or expand the maximum level of Section 202(e) funding to provide cash for programming. Third, relax or eliminate the cargo preference rule for food aid programs.

These three policy reforms to US food aid and food assistance matter for American taxpayers who deserve to not have their tax dollars squandered supporting special interests with outdated practices. These reforms also mean US food aid programs can more quickly reach more people in need, at no additional cost. Ending these restrictions would allow the US to reach an estimated additional 5.8 – 11.8 million more people per year.³⁴ We can – and ought – to do so. The upcoming Farm Bill offers a unique opportunity to reform food aid and food assistance policies for the better.

Thank you for your time and attention to this important issue.

³² US Government Accountability Office (2015); Mercier and Smith (2015); Thomas and Ferris (2015). Consensus among these three separate studies is that the limited number of US-flagged vessels is not the bottleneck in a military surge. Rather, the real bottleneck appears to be the number of trained US mariners available for deployments. For example, in his 2014 testimony, Paul Jaenichen, the US Maritime Administration (MARAD) Administrator's testimony to the House Armed Services Committee presented the attitude of mariners' unions, which is that without berths on oceangoing ships their members would have no incentive to maintain certification in their professional skills (Paul N. Jaenichen (2014) "Logistics and Sealift Force Requirements and Force Structure Assessment," testimony before the Subcommittee on Seapower and Projection Forces, Committee on Armed Services, US House of Representatives, July 30, <http://docs.house.gov/meetings/AS/AS28/20140730/102432/HHRG-113-AS28-Wstate-JaenichenP-20140730.pdf>).

There are lower cost, more effective ways of supporting the US merchant marine than relying on cargo preference rules. Direct subsidy payments to mariners or employment protections, similar to those offered to members of the National Guard, would be far more efficient than this indirect subsidy to primarily foreign-owned shipping companies, which costs taxpayers an estimated \$100,000 per mariner position (Bageant, Barrett, and Lentz (2010)).

³³ Frank Kendall, letter to Eliot L. Engel, June 18, 2013, <https://www.documentcloud.org/documents/814075-pentagon-letter-on-food-aid-reform.html>; and Brian de Vallance, letter to Jay Rockefeller, April 17, 2014, <http://www.scribd.com/doc/220264499/DHS-Coast-Guard-Letter>.

³⁴ Elliot and McKitterick (2013); Christopher B. Barrett (2017).