

Opportunity Squandered: How U.S. Food Aid Serves Agribusiness, Not the Hungry

Although there is enough food produced globally to feed twice the world's population, one in every six people is seriously undernourished, and the number of hungry people in the world has increased every year since 1996.^{1,2} Seventy percent of undernourished people are women and girls,³ and 50 percent are farmers.⁴

It does not have to be this way. The United States contributes more food aid than any other country in the world, enough to feed about 55 million people in 2006.⁵ Unfortunately, the way in which the United States provides food aid is extremely inefficient and does little to help the recipients break free from their dependence on aid. Most U.S. food aid money is spent on logistics, not food.⁶

This year, there is an opportunity for change. Food aid policy is written as part of the farm bill, which Congress renews every five years and has been debating in 2007. That means we have an opportunity to restructure food aid policy so it does more to address the causes of hunger.

Crops or Cash?

Countries typically give food aid in two different forms: food (called "in-kind" contributions) or cash grants. Both types of contributions can be channeled through the United Nations World Food Programme, the recipient country's government, a non-governmental organization, or some combination.

The United States sends most of its aid in the form of food. By law, 75 percent of U.S. food donations must be produced, processed, and shipped by U.S. companies.⁷ Some of the food is given to organizations or to governments that sell the food to make money for development projects. (This is called "monetization" of food aid.)

In contrast, Europe and almost every other country provide most of their food aid contributions in the form of cash grants. The donor country or the World Food Programme can then purchase food from within the region or country where it will be consumed.⁸ Cash grants allow the donor or WFP to respond quickly to events – such as crop failures or natural disasters – at a lower cost and deliver food where it is needed most.



Food distribution at a USAID-funded therapeutic feeding center in Kalonge, South Kivu, Democratic Republic of the Congo.

What is Wrong with "In-Kind" Donations of Food?

It is expensive: It costs about 50 percent more to purchase food in the United States and ship it halfway across the world than to purchase the food from the country where it will be eaten.⁹ Storage and shipping costs eat away at the funds for food aid, and as oil prices rise, the portion of funds spent on food keeps decreasing.

The requirement to use U.S. ships to transport food compounds this inefficiency. In 2006, commercial rates for grain shipment from the Gulf of Mexico to East Africa were one-third of the rate that the U.S. government was paying to ship food aid on the same route.¹⁰ The difference is significant. The U.S. General Accounting Office found that the United States could have provided food for about 1.2 million more people for each \$10 per metric ton decrease in shipping rates.¹¹

It is slow: On average, U.S. food aid takes about four to six months to get from the donor to the recipient.¹² Unfortunately, the people who need the food may not be able to wait that long. Food deliveries that arrive four to six months after a hurricane or drought are significantly less helpful than cash grants that could arrive immediately.

It is disruptive to local food systems: Contrary to the common misperception that food aid is always given to countries with an absolute lack of food, hunger can occur in places where there is plenty of food if segments of the population do not have access or money to buy it. If food aid arrives at harvest time, the influx of free or cheap food can push down the price that local farmers can get for their crops. With cash, however, the U.S. government could purchase crops from local farmers, thereby providing free food to those in need while also supporting the local or regional economy.

Monetization of food aid, the process in which organizations sell food to finance development projects, can be especially disruptive. Concerns about negative impacts on recipient communities have led CARE USA, a major humanitarian organization, to move away from using monetized food aid.¹³ While the development projects that get funded with the proceeds of the food sales are vitally important, it is absurdly inefficient to finance them with shipments of grain that have high transport and storage costs, instead of direct funding.

It is inappropriate for local diets: The food purchased from U.S. agribusiness may not be culturally or nutritionally appropriate for the needs of the recipient population. For example, maize has been delivered to parts of Nairobi without access to the water needed to boil it.¹⁴ Also, food aid recipients often re-plant part of the grains they receive, but crops that grow well in the United States may not thrive in Africa.¹⁵



A woman delivers a box USAID-donated food in Mathare, Kenya.

Who is Agribusiness?¹

Cargill

- Top U.S. company in grain exportation and flour milling.²⁴
- Products and services include: seed, grain, genetically engineered crops, and flour milling.

ADM

- Top U.S. company in ethanol, soybean crushing, and shipping by barge.
- Products and services include: seed, crops, ethanol, biodiesel, flour milling, storage, and shipping food aid.

Monsanto

- Top world company in genetically engineered seeds and herbicide.
- Products include: genetically engineered cotton, soy, and corn seeds.

ConAgra

- More than 30 percent of ConAgra's brands are number one in their category.²⁵
- Products and services include: seed, flour milling, grain handling, storage, trading, and merchandising of food and energy.

¹ Data includes subsidiaries where applicable.

The controversy over genetically modified food aid highlights the tension created when the U.S. government and agribusiness companies provide food that recipient countries are unwilling to accept. In 2004, the government of Sudan requested that U.S. food aid be certified and labeled as “GM free” because of concerns about the potential negative effects of GM grain on local agriculture and human health.¹⁶ In response, the United States immediately cut off all food aid to Sudan.¹⁷ The U.S. government's desire to spread biotechnology proved stronger than the moral obligation to help alleviate hunger. Needing food, Sudan had no choice but to wave its request for GM-free food aid.¹⁸

Benefiting a Few, Denying Many

If “in-kind” food aid has so many drawbacks, why does the United States continue to contribute aid in this costly way? The answer lies with those who have an interest in maintaining the status quo: agribusiness and shipping corporations that want to expand their markets.

Only a limited number of agribusiness companies are able to bid for food aid contracts, and as a result the U.S. government pays an average of 11 percent above market price for food aid commodities.¹⁹ In 2003, the United States purchased one-third of food aid from two agribusiness giants: Cargill and Archer-Daniels Midland.²⁰

Shipping companies are the greatest beneficiaries of “in-kind” food aid. From 2000 to 2002, close to 40 percent of total food aid costs in the United States were paid to shippers.²¹ However, the benefits are not spread evenly throughout the industry; in 2001, only four shipping companies handled 84 percent of U.S. food aid contributions.²²

On the other hand, the U.S. farmers who actually grow the crops do not see the benefits of our food aid policy. The amount of food shipped is such a small percentage of total farm production that it has only a miniscule effect, if any, on the price that agribusiness pays farmers for their crops.²³

Unmonitored Aid

Additionally, while the United States spends an exorbitant amount on food aid transport and storage, it fails to fund the staff needed to ensure that food aid actually reaches its intended recipients. The United States Agency for International Development, which oversees food aid, has only one office in East Africa. Although that office is officially responsible for monitoring aid distribution in 13 countries, USAID employees say they are unable to adequately monitor activities in six of those countries.²⁶

The consequences of this negligence can be serious. In Madagascar, for example, an NGO switched distribution of food aid to a different district without USAID noticing, leaving the approved area with severe food shortages.²⁷

Food Aid for Food Sovereignty

In addition to helping those in desperate need, food aid should promote agricultural self-sufficiency – a key part of the concept of food sovereignty – so that the recipient country can move away from its dependence on foreign aid. If the U.S. government were to purchase food in the recipient country or provide people with coupons to purchase locally grown food, that aid would also support local farmers and help revitalize the economy.

With the money saved from buying food close to its destination, the United States could directly fund development projects to address the underlying causes of hunger in a holistic way. For too long, so-called development efforts have been directed towards promoting the large-scale production of a few cash crops, such as tea and flowers, for export to wealthy countries. The result of these efforts is that farmers are turned into plantation workers who cannot make enough money to buy food to feed themselves.

In contrast, proponents of food sovereignty argue that locally produced food should go first to local consump-

“They will spend billions to feed us, but not millions to help us feed ourselves.”

– Bishop Mutua, Kenya²⁸

tion before being exported. True development projects, such as irrigation, soil saving, credit, and agricultural education programs, would support food production for local consumption. An aid policy guided by the ideals of food sovereignty could alter the trend of ever-increasing hunger and open the path for a future beyond aid.

Conclusion

The funds for U.S. food aid should go towards the 854 million people who are undernourished in this world,²⁹ and not to a few U.S. agribusiness and shipping companies. The United States could spend about 25 to 30 percent more on actual aid if it purchased the food in the country or region where it was being donated.³⁰ The United States must move away from its use of “in-kind” food aid and towards a system of cash grants for local and regional food purchases.

What You Can Do:

Contact your members of Congress to let them know that you want a food aid policy based on cash grants for local purchases. Tell them to:

- Support the use of cash grants for local and regional purchases of food so that food aid funds can be used more efficiently.
- Support better and more comprehensive food aid distribution that involves the donor country, UN World Food Programme, non-governmental organizations, and the recipient country to ensure that food aid is delivered to those with the greatest need.
- Support food and development aid that supports local production and food sovereignty in recipient countries.
- Fund food aid at a level of at least \$2 billion per year with at least \$500 million of that used to address the underlying causes of hunger.

Endnotes

¹ Mittal, Anuradha and Hansen-Kuhn, Karen. "Lots of food, not enough aid." TomPaine.com, June 26, 2007.

² Ziegler, Jean. "Implementation of General Assembly Resolution 60/251 of 15 March 2006 Entitled 'Human Rights Council: Report of the Special Rapporteur on the Right to Food.'" Human Rights Council, United Nations, Jan. 19, 2007.

³ Hansen-Kuhn, Karen. "Women Food Crises: How U.S. Food Aid Policies Can Better Support their Struggles." ActionAid USA.

⁴ "The State of Food Insecurity in the World 2004." Food and Agriculture Organization of the United Nations, 2004.

⁵ "U.S. International Food Assistance Report 2006." United States Agency for International Development, Washington, DC, December 2006.

⁶ Melito, Thomas. "Foreign Assistance: U.S. agencies face challenges to improving the efficiency and effectiveness of food aid." Testimony before the Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, United States Government Accountability Office, March 21, 2007.

⁷ Melito, Thomas. "Foreign Assistance: U.S. agencies face challenges to improving the efficiency and effectiveness of food aid." Testimony before the Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, United States Government Accountability Office, March 21, 2007.

⁸ "A Fair Farm Bill for the World." Institute for Agriculture and Trade Policy, March 2007.

⁹ "The Development Effectiveness of Food Aid: Does Tying Matter?" Organisation for Economic Co-operation and Development, 2005.

¹⁰ Melito, Thomas. "Foreign Assistance: U.S. agencies face challenges to improving the efficiency and effectiveness of food aid." Testimony before the Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, United States Government Accountability Office, March 21, 2007.

¹¹ Melito, Thomas. "Foreign Assistance: U.S. agencies face challenges to improving the efficiency and effectiveness of food aid." Testimony before the Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, United States Government Accountability Office, March 21, 2007.

¹² Melito, Thomas. "Foreign Assistance: U.S. agencies face challenges to improving the efficiency and effectiveness of food aid." Testimony before the Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, United States Government Accountability Office, March 21, 2007.

¹³ Hansen-Kuhn, Karen. "Women Food Crises: How U.S. Food Aid Policies Can Better Support their Struggles." ActionAid USA.

¹⁴ Ambrose, Soren. "Kenya's chronic food crisis: Natural disasters or logical consequences?" Building Sustainable Futures for Farmers Globally, August 2006. Available at: www.globalfarmer.org

¹⁵ "Playing with Hunger: The reality behind the shipment of GMOs as food aid." Friends of the Earth International, July 2003.

¹⁶ "GM Food Aid: Africa Denied Choice Again?" Africa Center for Biosafety et al., Johannesburg, South Africa, May 2004.

¹⁷ Winter, Roger. "Sudan: Peace Around the Corner?" Written testimony of Roger Winter, United States Agency for International Development, before the U.S. House of Representatives Committee on International Relations, Africa Subcommittee, March 11, 2004. Available at: www.usaid.gov/press/speeches/2004/tyo40311.html

¹⁸ "GM Food Aid: Africa Denied Choice Again?" Africa Center for Biosafety et al., Johannesburg, South Africa, May 2004.

¹⁹ Murphy, Sophia and McAfee, Kathy. "U.S. Food Aid: Time to Get it Right." Institute for Agriculture and Trade Policy, July 2005.

²⁰ Thurow, R. and Kilman, S. "As U.S. food aid policy enriches farmers, poor nations cry foul sending crops, not cash, eases American gluts, ignores local surpluses." Wall Street Journal, Sept. 11, 2003. Cited in Murphy, Sophia and McAfee, Kathy. "U.S. Food Aid: Time to Get it



Food aid provided by the U.S. Army is delivered in Baghdad. Photo courtesy U.S. Department of Defense.

Right." Institute for Agriculture and Trade Policy, July 2005.

²¹ Murphy, Sophia and McAfee, Kathy. "U.S. Food Aid: Time to Get it Right." Institute for Agriculture and Trade Policy, July 2005.

²² Murphy, Sophia and McAfee, Kathy. "U.S. Food Aid: Time to Get it Right." Institute for Agriculture and Trade Policy, July 2005.

²³ Murphy, Sophia and McAfee, Kathy. "U.S. Food Aid: Time to Get it Right." Institute for Agriculture and Trade Policy, July 2005.

²⁴ Hendrickson, Mary and Heffernan, William. "Concentration of Agricultural Markets." Department of Rural Sociology, University of Missouri. Columbia, MO, February 2005; Murphy, Sophia. "Managing the Invisible Hand: Markets, Farmers and International Trade." Institute for Agriculture and Trade Policy, April 2002.

²⁵ "Company History." ConAgra Foods, www.conagrafoods.com

²⁶ Melito, Thomas. "Foreign Assistance: U.S. agencies face challenges to improving the efficiency and effectiveness of food aid." Testimony before the Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, United States Government Accountability Office, March 21, 2007.

²⁷ Melito, Thomas. "Foreign Assistance: U.S. agencies face challenges to improving the efficiency and effectiveness of food aid." Testimony before the Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, United States Government Accountability Office, March 21, 2007.

²⁸ Ambrose, Soren. "Kenya's chronic food crisis: Natural disasters or logical consequences?" Building Sustainable Futures for Farmers Globally, August 2006. Available at: www.globalfarmer.org

²⁹ Ziegler, Jean. "Implementation of General Assembly Resolution 60/251 of 15 March 2006 Entitled 'Human Rights Council: Report of the Special Rapporteur on the Right to Food.'" Human Rights Council, United Nations, Jan. 19, 2007.

³⁰ "The Development Effectiveness of Food Aid: Does Tying Matter?" Organisation for Economic Co-operation and Development, 2005.

For more information:

web: www.foodandwaterwatch.org

email: foodandwater@fwwatch.org

phone: (202) 797-6550

Copyright © November 2007 Food & Water Watch