

Myth v. Fact: Food Aid “Reform”

The Administration’s FY14 budget proposes to end the longstanding Food for Peace (PL 480) US commodity donation program, and instead transfer all PL 480 funding into USAID’s International Disaster Account (IDA) for the purchase of foreign-source commodities and direct cash transfers to beneficiaries in developing countries.

Myth: *PL 480 food aid exists only to serve humanitarian objectives and its effectiveness can be measured strictly by how well it achieves that goal.*

FACT: PL 480 food aid has always served multiple important complimentary policy objectives. In addition to its humanitarian objectives, PL 480 commodities shipped in bags marked with the US flag and stamped “From the American People” have always served as a tool to convey our nation’s generosity and foster goodwill in politically unstable areas of the world. It also introduces populations in the fastest growing markets to high quality US-grown commodities. Many of our former PL 480 recipients are now significant export markets, including South Korea, Poland, Romania, and Egypt. PL 480 also serves, through the US Maritime Administration Ocean Freight Differential program, to provide essential cargoes to the US Merchant Marine, leveraging government freight expenditures into large Defense Department savings for sealift readiness.

Myth: *Under the Administration’s proposal, we would retain the “hearts and minds” and agricultural marketing benefits achieved with PL 480.*

FACT: Currently, PL 480 food aid is stamped with the American flag and marked “From the American People,” letting millions of recipients know that the high-quality, life-saving commodities they have received are from America. We cannot place the US name and flag on lower-quality products of questionable quality without seriously damaging the brand and quality reputation of US-produced commodities.

Myth: *The Administration’s proposal will not severely damage our US Merchant Marine and military readiness.*

FACT: Food aid, carried on US-flag commercial vessels pursuant to cargo preference laws, provides essential cargo for our commercial fleet, and according to the Department of Defense any reductions will have to be offset with other expenditures to maintain sealift readiness. The merchant mariners and vessels sustained by food aid cargoes have reliably provided over 95% of the sealift capacity to our troops in Afghanistan and Iraq at dramatically lower cost than it would take the Department of Defense to maintain this capacity using Government-owned assets and Federal employees. Through partnership with the US-flag commercial fleet, the taxpayers save billions of dollars—a savings that must be considered carefully before making dramatic changes to a food aid.

USA Maritime, which represents virtually all of the mariner unions and carriers in the US-flag international trades, rejects the notion that the administration’s proposed one-time \$25 million payment will ameliorate the devastating effects on our fleet and our readiness, and the Administration has not even attempted to explain how it will. To the contrary, the US Maritime Administrator recently testified that the proposal puts half our fleet at risk. This is bad policy that has not been thought through.

Myth: *There is widespread consensus that PL 480 needs to be reformed.*

FACT: So-called “reformers” have persuaded the media that everyone except those who profit from the current PL 480 system admit the IDA proposal is a good idea. Not true. Most of the charitable, not for profit, and faith-based organizations that implement these programs on the ground and really know how they work are strongly opposed to the President’s proposal to send cash overseas instead of food. Only a small minority of them prefer cash to food donations. Moreover, PL 480 retains strong bipartisan support in Congress.

Myth: *It is more expensive to deliver American-grown commodities to those in need through Food for Peace (PL 480) than it would be to deliver foreign-source commodities and cash transfers under the Administration’s IDA proposal.*

FACT: USAID’s own data for FY12 shows that under IDA, USAID spent \$375 million to deliver 177,000 tons of food (\$2836/MT) whereas under PL 480 it spent \$1.2 billion to deliver 986,000 tons of food (\$1188/MT). IDA is 78% more expensive per ton of food delivered.

Myth: *The Administration’s proposal provides needed flexibility that USAID does not have under the current system.*

FACT: The Administration already uses \$375 million of IDA funding for its cash-based and foreign purchase programs, and the Administration has the discretion to tap into almost \$1 billion in funds available to it in IDA.

Myth: *By transferring the PL 480 funds to IDA, USAID could reach 2-4 million additional beneficiaries with the same budget dollars and is therefore more efficient.*

FACT: First, no data has been provided to support this wild claim. Second, because the Administration can purchase 78% less food with the same budget dollar under its proposal than it can with PL 480, the claim does not withstand scrutiny. Third, according to the faith-based and charitable organizations that actually implement these programs in the field, IDA programs are typically shorter than PL 480 programs, i.e., each person receives aid for a shorter period of time. Therefore, the Administration touts a distinction without meaning. Limiting operations to short-term interventions sacrifices the flexibility these organizations need to save people who are displaced or without food for a protracted period of time due to conflict or famine. Fourth, sacrificing our best food aid program for IDA is not the best way to feed more people. Rather, we should look to foreign aid programs that do little to improve food insecurity, such as the Millennium Challenge Corporation or Economic Support Fund, if more food security funding is needed for IDA.

Myth: *The Administration’s proposal would get food to the hungry 11-15 weeks faster than PL 480 food aid.*

FACT: The Administration’s estimate fails to account for improvements in PL 480 delivery which have dramatically improved delivery times, including prepositioning both at US load ports and in forward warehouses near areas of need. If the Administration thinks it can still deliver faster with IDA, in such circumstances it can deploy its existing \$375 million IDA program, expandable with available IDA funding of almost \$ 1 billion.

Myth: *“Local and regional purchase” means buying locally grown food and helping smaller “mom and pop” local farmers.*

FACT: The Administration and the UN World Food Program have now conceded that they cannot procure the volume or quality of food locally from smallholder farmers that is needed to address food emergencies. Instead, they buy food from commercial brokers who aggregate commodities from diverse sources, including imports from our competitors. The Administration does nothing under its \$375 million IDA program to ensure that Brazilian soybeans, Russian wheat, or French legumes are not the products displacing purchases from American farmers.

Myth: *Procuring foreign-source commodities for recipients is better, for local markets where food is distributed, than PL 480 deliveries.*

FACT: One of the benefits of PL 480 is that when US commodities are (going to be) introduced into a food insecure area, this prevents hoarding and keeps prices from escalating further. PL 480 distributions are also subject to “Bellmon” determinations to ensure there is no market displacement hurting local producers. IDA, on the other hand, has no such protection requiring that there is no market displacement. And it stands to reason that when the US Government enters small regional markets to buy tens of thousands of tons of commodities needed to address an emergency, this will spike the price of food and widen the circle of food insecurity.

Myth: *Food aid quality will be the same or better under the IDA proposal.*

FACT: The analysis of so-called “local and regional purchase” required by the 2008 Farm Bill found that such programs could not ensure food quality essential for recipients, even though there are widespread and severe problems with aflatoxin poisoning due to contaminated grain in many of the major food aid distribution areas. PL 480 uses the safest, most reliable, highest quality food distribution pipeline in the world: Ours.