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BEHALF OF USA MARITIME

HOUSE AGRICULTURE COMMITTEE

HEARING ON THE NEXT FARM BILL: THE FUTURE OF INTERNATIONAL FOOD AID
AND AGRICULTURAL DEVELOPMENT

JUNE 7, 2017

Good morning, Chairman Conaway, Ranking Member Peterson and members of the Committee.

I thank you for conducting this hearing and for giving me the opportunity to testify. I would also be remiss if I did not thank all of you for your continued support of the U.S. Merchant Marine, the American farmers, and our international food aid programs. I am testifying today on behalf of USA Maritime. USA Maritime includes American vessel owners and operators, trade associations, and maritime labor, and is committed to ensuring that the United States Merchant Marine continues to sail, protecting America by supporting our warfighters, enhancing our economy through trade, and providing good-paying jobs to tens of thousands of Americans across our country. USA Maritime stands to ensure that we, as a nation, are not soon wholly dependent upon foreign interests to connect our economy to the world.

President Trump announced in his inaugural address that “a new vision will govern our land. From this moment on, it’s going to be America First.”¹ The President announced his desire that his new Administration “follow two simple rules: Buy American and hire American.”²

For the United States Merchant Marine, these are words that resonate deeply. The men and women of the United States Merchant Marine have been putting America first for our entire existence. It was American merchant mariners, angered by British threats to bombard Machias, Maine, for no other reason than the residents were unwilling to load a cargo of lumber destined to be turned into British barracks in Boston, who struck the first blow for American liberty and independence on the high seas in 1775.³ Fully a year before the Declaration of Independence, these Merchant Mariners risked their lives to defend what would become the United States of America.

To put it simply – America’s mariners have been putting America first even before there was an America. Throughout the decades and centuries that followed, American mariners would

¹ President Donald J. Trump, Inaugural Address (Jan. 20, 2017).

² *Id.*

³ *See generally*, 1 GARDNER WELD ALLEN, A NAVAL HISTORY OF THE AMERICAN REVOLUTION 8-10 (1913).

continue to risk their lives, braving British men-o-war, Confederate commerce raiders, German torpedoes, and the inherent dangers of the high seas to bring supplies to our soldiers, commerce to our partners, and food to hungry people around the world.

In peace and war, the United States Merchant Marine has answered America's call and we have always put America first. Unfortunately, when it comes to America's international food aid programs, too many of our colleagues and friends in previous Administrations, and even some members of this House, have signaled they do not agree with this approach.

As the House begins its deliberations on the next Farm Bill, we urge the House Agriculture Committee to ignore the siren calls for "greater flexibility" from the so-called "food aid reform advocates" who would like to fundamentally change our international food aid programs from what they are today – reliable, time-tested, and transparent U.S. commodity donation programs—into yet more foreign cash giveaway programs that the American people do not support and will not continue to fund. In fact, recent polling by Rasmussen indicates that 57% of Americans view the level of foreign aid the U.S. government will give in this fiscal year alone as already too much.⁴

What has made America's in-kind food aid programs, including our flagship P.L. 480 Food for Peace program,⁵ different has been these programs' "America first" approach to foreign aid.⁶ American agricultural commodities, grown in American soil and harvested by American farmers, are shipped through American ports on vessels crewed by American mariners to feed the hungry people of the world, all as a result of the generosity of the American taxpayer. America remains the single largest donor of international food assistance, giving over \$2.5 billion in aid annually.⁷ Over half of that, roughly \$1.5 billion, is funded through the Food for Peace program.⁸ Food for Peace is overseen by the United States Agency for International Development (USAID), while the Food for Progress⁹ and McGovern-Dole¹⁰ programs are overseen by the United States Department of Agriculture (USDA) Foreign Agricultural Service (FAS).

⁴ RASMUSSENREPORTS.COM, *Most See U.S. Foreign Aid As A Bad Deal for America*, http://www.rasmussenreports.com/public_content/politics/general_politics/march_2017/most_see_u_s_foreign_aid_as_a_bad_deal_for_america (last visited June 1, 2017).

⁵ Agricultural Trade Development and Assistance Act of 1954, Pub. L. No. 83-480 (1954), amended by the Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246 (2008).

⁶ In Secretary of State Tillerson's recent speech to State Department employees, he stated that translating "America first" into our foreign policy would be America first for national security and economic prosperity. No other program under State's control translates this vision like Food for Peace. Remarks of Rex. W. Tillerson, U.S. Secretary of State (May 3, 2017), *available at* <https://www.state.gov/secretary/remarks/2017/05/270620.htm>.

⁷ U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-17-224, INTERNATIONAL FOOD ASSISTANCE: USAID HAS CONTROLS FOR IMPLEMENTATION AND SUPPORT COSTS BUT SHOULD STRENGTHEN FINANCIAL OVERSIGHT 1 (2017). [hereinafter 2017 GAO Report].

⁸ *Id.*

⁹ Food Security Act of 1985, Pub. L. No. 99-198, Title XI, § 1110, 99 Stat. 1354, *codified as amended at* 7 U.S.C. § 1736o (2017).

¹⁰ Farm Security and Rural Investment Act of 2002, Pub. L. No. 107-171, Title III, § 3107, 116 Stat. 295, *codified as amended at* 7 U.S.C. § 1736o-1 (2017).

Under America’s cargo preference laws,¹¹ at least half of all civilian agency cargoes, including Title II commodities, must be shipped on U.S.-Flag vessels. These laws make up a critical part of the federal government’s mix of laws and programs designed to ensure that the United States maintains a merchant marine capable of carrying a portion of our waterborne commerce. This has been the official policy of the federal government since 1936,¹² but it has long been a cornerstone of American national defense.

Thanks to the strong domestic constituency that supports Food for Peace – America’s farmers, mariners, and the private voluntary organizations that oversee implementation of these programs in various countries around the globe – this program has enjoyed strong and consistent support in Congress and in past Administrations. For more than 60 years, this domestic support has shielded Food for Peace from harsh spending cuts and efforts to significantly change the program.

Despite our best efforts, however, the “food aid reform” community has been moderately successful in its efforts to undermine the simple formula that has made Food for Peace a success for over 60 years—sending American food overseas on U.S.-Flag vessels. Knowing it could not essentially change a popular program that continues to work as it was intended, it has adopted a “death by a thousand cuts” strategy, diverting more and more funding away from the core mission of the program in the name of “flexibility” that already exists in other Department of State programs under the Foreign Assistance Act or Global Food Security Act.

For example, the 2014 Farm Bill again increased funds that can be diverted for “Section 202(e)” administrative and overhead costs.¹³ USAID took that expanded authority and used it primarily to fund cash, voucher, and foreign commodity purchase programs.¹⁴ This has led to a major increase in these administrative and overhead costs within the Title II Food for Peace program. In FY 2011, 202(e) costs were approximately \$180.7 million.¹⁵ In FY 2015, 202(e) rose sharply, to \$288.5 million, a 62% increase in less than five years.¹⁶ At the same time that USAID is using 202(e) administrative funds to support these cash and voucher projects, it is diverting massive amounts of funding away from U.S. commodity purchases to “internal transport shipping and handling” (ITSH) accounts and using these funds to support cash, voucher, and foreign commodity purchase programs contrary to the requirements of the Food for Peace Act.¹⁷ Further, GAO found that USAID has failed to collect detailed information such as receipts or other documentation to determine where all of this 202(e) and ITSH funding is even going.¹⁸ As

¹¹ See Military Cargo Preference Act of 1904, as codified at 10 U.S.C. § 2631 (2017), and Cargo Preference Act of 1954, as codified at 46 U.S.C. § 55305 (2017).

¹² See Merchant Marine Act of 1946, 46 U.S.C. § 50101 (2017).

¹³ 2017 GAO Report at 6.

¹⁴ *Id.* at 12, noting that “[o]bligations of 202(e) funding for cash transfers, food vouchers, and local and regional procurement in fiscal years 2014 and 2015 constituted 75 percent and 96 percent, respectively, of the additional authorized 202(e) funding that the agency utilized for those years.”

¹⁵ See *Hearing on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations for 2016 Before the Subcomm. on Agriculture, Rural Development, Food and Drug Administration and Related Agencies of the H. Comm. on Appropriations*, 114th Cong. 1232-34 (2016). (responses of USAID to written interrogatories from subcommittee Chairman Aderholt).

¹⁶ *Id.* at 1232.

¹⁷ 2017 GAO Report at 33-34.

¹⁸ *Id.* at 23.

GAO noted: “Cash transfers and food vouchers are associated with different risks than U.S. in-kind food assistance, such as risks related to the potential diversion of cash, counterfeiting of food vouchers, and diversion of food voucher reimbursement funds.”¹⁹

Over the five-year period between FY 2011 and 2015, 202(e) and ITSH funding accounted for 44% of all Food for Peace funding, according to GAO.²⁰ Yet USAID’s own submission for the record before the House Appropriations Committee indicated that as of 2015, 202(e) and ITSH costs, which do not even include ocean shipping costs, now account for nearly 60% of all the PL 480 Title II Food for Peace funding – close to \$800 million of the program’s \$1.3 billion in outlays.²¹ Of the funding appropriated for Food for Peace, only 25% of it, roughly \$332 million, is used to purchase U.S. commodities and \$106 million is spent on ocean freight costs, or 8.2% of the total funding outlays for Food for Peace.²²

This is where we are today. Food for Peace sees only 35% of its funding going to the purchase and ocean shipment of American-grown commodities, while almost two-thirds of the program is spent on nebulous administrative costs, cash handouts, vouchers, and foreign commodity purchase programs, all of which have other funding mechanisms elsewhere within USAID’s control. Using the generous but limited flexibility Congress gave it in the 2014 Farm Bill, USAID has converted too much of Food for Peace from a time-tested, transparent, reliable in-kind program that promotes economic development at home, assisting both the agriculture and maritime sectors, into a backdoor cash giveaway program that GAO has concluded in multiple reports lacks appropriate oversight. In light of these failings, and their apparent absence in USDA-run programs, now may be the time to consider restoring more authority to USDA for overseas humanitarian assistance.

Maritime industry proponents of Food for Peace have long decried the constant watering-down of America’s food aid programs, arguing that by weakening the use of American-grown in-kind aid shipped on U.S.-Flag vessels, the “food aid reform” community would damage Food for Peace’s credibility and domestic popularity.²³ We are generally shouted down by those interests, accused of starving children and lining our pockets with U.S. taxpayer dollars.²⁴ Our response has invariably been that by removing American agriculture and maritime interests from Food for Peace, the “food aid reform” community would be undermining the future stability of these programs by destroying their natural domestic constituency, and that eventually they would be viewed as unnecessary, unsustainable spending with no domestic benefit. That, coupled with the fact that Europe and other nations are lagging significantly behind the United States in their

¹⁹ *Id.* at 35 n. 59.

²⁰ *Id.* at 8.

²¹ *Supra* note 15 at 1234 (FY 2015 data).

²² *Id.* Notably, only approximately half of this cargo is allocated to U.S.-Flag vessels.

²³ *See generally, Joint Hearing on U.S. International Food Aid Programs: Transportation Perspectives Before the Subcomms. on Coast Guard and Maritime Transportation of the H. Comm. on Transportation and Infrastructure and Livestock and Foreign Agriculture of the H. Comm. on Agriculture*, 114th Cong. 1 (2015) (statements of Phillip J. Shapiro and Brian W. Schoeneman) [hereinafter *Joint Food Aid Hearing*].

²⁴ *See, e.g., Reforming Food Aid: Desperate Need to Do Better: Hearing Before the H. Comm. on Foreign Affairs*, 114th Cong. 5-6 (2015) (statement of Christopher B. Barrett, Cornell University). Dr. Barrett stated at the hearing that Congressional support for cargo preference represented “the trade [of] 11 or 12 children’s lives for a single job.”

humanitarian assistance programs,²⁵ it would be increasingly difficult to justify to the American taxpayer giving away so much money when other nations are not paying their fair share.

This is exactly what has happened.

For the first time since the program's creation in 1954, the President of the United States has openly advocated for the elimination of the Title II Food for Peace program, and the McGovern-Dole program along with it.²⁶ Using the same argument that the "food aid reform" community has been making over the years, the President's budget would dismantle Food for Peace and McGovern-Dole, indicating that these needs could be better met through the International Disaster Assistance (IDA) Account—while at the same time calling for cuts to that account.

This would be a disaster for America's farmers and mariners, and would have a direct, damaging impact on American national security.

We urge Congress to oppose the elimination of Food for Peace, oppose the elimination of McGovern-Dole, and oppose efforts from the "food aid reform" community to fundamentally alter the Title II Food for Peace program – a program that still partially continues to work as intended, providing economic benefits to American farmers, millers, mariners, longshoremen, and transport workers, while ensuring that life-saving food makes its way into the hands of needy people across the world. Finally, we would urge Congress to review whether USAID is the most appropriate agency to continue oversight and implementation of these programs, given the continued, unresolved lapses GAO has noted, and the comparative absence of concerns with USDA's handling of these programs throughout most of their history."

It is difficult to understate the importance of food aid to the United States Merchant Marine. While some in the "food aid reform" community have attempted to downplay the importance of food aid to the maritime industry,²⁷ those in the industry understand its critical importance as one of the largest sources of government-impelled cargo available to U.S.-Flag vessels today. The Maritime Administration (MARAD) has made it clear²⁸ that changes made to cargo preference in the Moving Ahead for Progress in the 21st Century Act of 2013 (MAP-21),²⁹ which reduced the percentage of food aid cargoes reserved for the Merchant Marine from 75% to 50%, have reduced the U.S.-Flag international fleet from 106 vessels in 2011 to 81 as of May 1, 2017.³⁰

²⁵ 2017 GAO Report, *supra* note 7.

²⁶ OFFICE OF MGMT. & BUDGET, MAJOR SAVINGS AND REFORMS, BUDGET OF THE U.S. GOVERNMENT FISCAL YEAR 2018 73 (2017).

²⁷ See, e.g., *Reforming Food Aid: Desperate Need to Do Better: Hearing Before the H. Comm. on Foreign Affairs*, 114th Cong. 5-6 (2015) (statement of Christopher B. Barrett, Cornell University).

²⁸ Joint Food Aid Hearing (statement of Paul N. Jaenichen, Administrator, Maritime Administration, U.S. Department of Transportation). Administrator Jaenichen testified that the U.S.-Flag international fleet declined from 106 to 78 in 2015, with the decline corresponding directly to MAP-21. He went on to state that the loss of preference cargo has had a "dramatic effect" on the maritime industry, and is the primary cause of the U.S.-Flag fleet's decline over the last seven years.

²⁹ Moving Ahead for Progress in the 21st Century Act, Pub. L. No. 112-141 § 100124, 126 Stat. 915 (2012).

³⁰ U.S. MAR. ADMIN., UNITED STATES FLAG PRIVATELY-OWNED MERCHANT FLEET REPORT 1 (2017). MARAD produces this report monthly; it then posted on its website and may be retrieved at https://www.marad.dot.gov/consolidated_20170501/.

This is a devastating blow to our national defense sealift capability.

The Consolidated Appropriations Act of 2014³¹ required MARAD to prepare a report to Congress on the current and future impacts of reductions in government-impelled cargo on the U.S. Merchant Marine as a result of changes to cargo preference requirements, including those made as part of MAP-21 and reductions to P.L. 480. The report, which was transmitted to Congress on April 21, 2015, paints a clear picture – without cargo preference, most of the U.S.-Flag fleet would disappear and the reductions in food aid cargoes have had a real, meaningful impact on the decline of the merchant marine.³² Over the last decade, food aid has made up more than half of the preference cargo tonnage carried by U.S.-Flag carriers—more than even Department of Defense cargoes which, unlike food aid, are subject to a 100% cargo preference requirement.³³

We have seen a major drop in the amount of food aid cargo carried by the U.S.-Fleet, with total cargo amounts dropping 77% from 2000 to 2013. In 1999, 103 American ships carried 6,361,000 gross tons of food aid cargo, both pre-packaged and bulk. In 2013, the fleet dropped to 76 ships, carrying only 1,070,000 tons of food aid.³⁴ Although some critics have wheeled forward various theories questioning the role of food aid cargoes in sustaining the merchant marine,²³ the correlation between the decline of food aid tonnage and the decline of our fleet is undeniable.

Since 2010, the size of the U.S.-Flag fleet has dropped by 23%, from 99 vessels to 81, and that number is expected to continue to drop unless something is done to strengthen the cargo base.²⁴

More important than the loss of the ships, however, is the loss of peacetime merchant mariner jobs – and the mariners who work them. Amidst all the discussion about ships and cargo, it is easy to forget (and those who are most critical of cargo preference always do) the most important aspect of the American Merchant Marine – what makes the merchant marine fundamentally American – are the men and women who crew these vessels.

These men and women, some of the most highly trained and skilled mariners in the world, are the heart of our merchant marine. They are the one irreplaceable asset in any discussion of maritime policy. These are the same men and women who willingly brave the dangers of the sea, who sail into combat zones with military cargo, or pirate-infested waters with critical, life-saving food aid, who helped evacuate Manhattan Island on September 11, 2001, and who provided the critical sealift necessary to support our warfighters in every American conflict from the earliest days of the Revolution to Operations Enduring Freedom and Iraqi Freedom. While a ship may be bought in a day, it can take years to train and certify a merchant mariner.³⁵

³¹ Consolidated Appropriations Act of 2014, Pub. L. No. 113-76, § 169, 128 Stat. 598 (2014).

³² See U.S. MAR. ADMIN., REPORT FOR CONGRESS ON THE IMPACTS OF REDUCTIONS IN GOVERNMENT IMPELLED CARGO ON THE U.S. MERCHANT MARINE 2-3 (2015).

³³ *Id.*

³⁴ *Id.*

³⁵ For more in-depth analysis on the difficulties in replacing merchant mariners *see generally* Joint Hearing Testimony, *supra* note 23.

Our mariner pool is already at the breaking point, and General Darren McDew, commander of the United States Transportation Command (USTRANSCOM), has testified at multiple hearings in the House and Senate that we do not have the number of mariners necessary to meet the sealift requirements of a Desert Shield/Desert Storm-sized military response abroad.³⁶ The resulting loss of ships due in no small measure to the reductions in food aid has resulted in the loss of approximately 1,000 mariner jobs since 2010 alone.³⁷

Supporting the military has been fundamental to the American Merchant Marine for its entire existence. For example, since 2009, privately owned U.S.-Flag commercial vessels and their civilian U.S. citizen crews have transported more than 90% of the sustainment cargo needed to support U.S. military operations and rebuilding programs in Iraq and Afghanistan.³⁸

Ensuring that we have an adequate mariner pool to crew the privately owned U.S.-Flag international fleet (which includes vessels enrolled in the Maritime Security Program (MSP)³⁹ and non-MSP vessels), our government fleets (including the civilians who crew vessels of the Military Sealift Command), and our reserve fleets (including the Ready Reserve Force and the National Defense Reserve Force) has been the fundamental purpose of federal maritime policy in modern times and we are dangerously close to failing to achieve that purpose.

Without the cargoes made available under cargo preference through Food for Peace and related foreign aid programs, it is clear the U.S.-Flag fleet would continue its decline and the pool of mariner jobs needed to provide the necessary mariners for national security needs would dry up. Food aid is a critical component of America's strategic sealift program. It is vital that Congress continue its steadfast support for in-kind food aid and cargo preference as part of our federal support for the Merchant Marine.

Furthermore, it is critical that any changes made to Food for Peace in the Farm Bill go towards returning the program back to its roots – as an in-kind, America-first program fueled by American commodities shipped on American vessels crewed by American mariners – and away from the cash giveaway, voucher, and foreign commodity purchase programs that USAID has

³⁶ See Joint Hearing Testimony, *supra* note 23. General McDew stated in his comments before the two subcommittees that the mariner pool is “on the very hairy edge of being able” to sustain immediate sealift requirements, and would not be able to meet sustained requirements beyond the first four to five months of a conflict. This sustainment also does not include potential casualties or losses. See also *Hearing on the State of the United States Transportation Command Before the Senate Armed Services Committee*, 115th Cong. 1 (2017) (statement of General Darren W. McDew) and *Hearing on the Current State of U.S. Transportation Command Before the House Armed Services Committee*, 115th Cong. 1 (2017) (statement of General Darren W. McDew).

³⁷ MARAD Impacts Report at 8.

³⁸ *Hearing on the Maritime Administration's Fiscal Year 2016 Budget Request Before the Subcomm. on Coast Guard and Maritime Transportation of the H. Comm. on Transportation and Infrastructure*, 114th Cong. 2 (2015) (statement of Paul N. Jaenichen, Administrator, Maritime Administration, U.S. Department of Transportation).

³⁹ 46 U.S.C. §§ 53101–53111 (2017). The Maritime Security Program is a jointly administered Defense Department and Maritime Administration program of 60 militarily useful and commercially viable ships. In exchange for a yearly stipend payment of \$5 million designed to help offset, but not completely cover, the increased cost of maintaining a vessel under the U.S.-Flag, the Department of Defense has access to the ships, mariners and intermodal networks of all the contracted companies. The MSP fleet is the backbone of the U.S.-Flag international fleet, but it can only function in conjunction with government-generated cargo, including defense and food aid. Without cargo, the vessels in the program are not commercially viable and would not be sustainable, even if stipend payments were significantly increased.

carved out of Food for Peace. USAID has abused the added discretion it was given in the 2014 Farm Bill for 202(e) and we would urge Congress to rescind the intrusion of these programs into Food for Peace. At the same time, USAID should be directed to introduce greater oversight and financial accountability to the 202(e) and ITSH accounts, including capping both of them at a more responsible percentage of the overall Title II program and limiting ITSH to the support of U.S. in-kind food aid, so that the bulk of Food for Peace funding goes where it is supposed to go – getting wholesome American commodities to those facing the worst food insecurity. Finally, we would urge Congress to review whether USAID is the most appropriate agency to continue oversight and implementation of these programs, given the continued, unresolved lapses GAO has noted, and the comparative absence of concerns with USDA’s handling of these programs throughout most of their history.

The maritime industry stands ready and willing to continue our 60-year partnership with Congress and the agricultural community to make our foreign food aid programs a continued success. As always, we are willing to work together to find better solutions to speed up deliveries, reduce costs and promote greater efficiency in our international food assistance programs. What we will not do, however, is sit back and allow the misguided good intentions of the “food aid reform” community to permanently destroy these programs. They do too much good for too many people at home and abroad and they must be preserved.

