

**Statement by A. Ellen Terpstra, Administrator
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U.S. Department of Agriculture
Before the Senate Subcommittee on
Oversight of Government Management, Restructuring and the District of Columbia
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Mr. Chairman, members of the subcommittee, I am pleased to come before you today to discuss the food aid programs operated by the U.S. Department of Agriculture (USDA). Before I address the four questions contained in your letter of invitation, I would like to summarize how these programs began and evolved, as well as the Administration's food aid review and proposals for changing these programs that came about as a result of that review.

Introduction

As a leader in agricultural production, the United States has long recognized its responsibility to assist in alleviating world hunger through food donations, financial aid, and technical assistance. The United States, the world's leading provider of food assistance, began providing food aid in the 1920s. But it was not until 1954 that legislative authority created a specific U.S. agricultural commodity aid program--the Agricultural Trade Development and Assistance Act of 1954, commonly known as Public Law 480 (P.L. 480) or the Food for Peace Program. This authority has provided a means for the people of the United States to show their compassion for suffering people in all parts of the world.

P.L. 480 was enacted almost half a century ago primarily to use large U.S. food surpluses effectively, to assist countries that lacked sufficient foreign exchange for commercial purchases, and to continue U.S. support of recovery efforts in Europe and other areas after the devastation

of World War II. Since then, the goals of our food aid programs have changed in response to varying economic, financial, political, and agricultural conditions at home and abroad. Since the mid-1960s, the emphasis has shifted from use of surplus commodities to promotion of economic development and reduction of hunger and malnutrition abroad. Food aid to European countries and Japan was phased out during the early and mid-1960s as their economic and financial conditions improved, and the focus shifted to developing countries. In the late 1970s, food security emerged as an additional consideration of food aid programs. Through all these changes, these programs have supported the development of overseas commercial markets for U.S. agriculture.

Today's recipients include countries that did not exist in the 1960s, such as Bosnia-Herzegovina, Armenia, and Georgia--countries struggling after major upheavals. Other more traditional developing countries, such as Bangladesh, Ethiopia, Peru, and Sri Lanka, also continue to see their people benefit from P.L. 480 and our two other food aid authorities--the Food for Progress Act and Section 416(b) of the Agricultural Act of 1949. The United States continues to be the world's chief provider of food aid, although other developed countries now play a more active role. We are actively encouraging other traditional donors, as well as countries experiencing rapid economic growth to join us in this global effort.

Grains and grain products have played the largest role in U.S. food aid programs. But the nutrition they provide has been complemented by legumes and vegetable oils. USDA, in collaboration with our commodity partners, has played an active role in the introduction of new products with higher nutritional content than grains alone. For example, blended foods have been developed to help meet the special needs of infants and children, as well as others with

special nutrition requirements. Other commodities such as soybean and dairy products have also played a role, often providing high-value commodities in local markets to create local funds to support nutrition intervention and economic development activities.

At the same time, of course, the people of the developing world are being introduced to U.S. agricultural products. Title I of P.L. 480 has successfully combined meeting the food needs of developing countries with market development for U.S. agriculture. Since its inception it has facilitated concessional sales of U.S. agricultural commodities totaling nearly \$30 billion in almost a hundred countries. These commodities are usually sold in recipient countries and generate funds to promote economic growth and development--the growth that is necessary to assure future commercial markets for all farmers. Food aid not only has allowed the people of the developing world to increase their consumption and experience U.S. quality--it has introduced U.S. marketing and financing structures to these countries.

Current Food Aid Programs

With that in the way of background, let me briefly describe our current food aid programs and how they work. I will focus on the programs of USDA, while my colleague from the Agency for International Development (AID) will address the efforts undertaken by his Agency. USDA and AID have and will continue to work closely in administering U.S. food assistance programs.

The Department provides foreign food assistance under three authorities: (1) P.L. 480, Title I; (2) Section 416(b) of the 1949 Act; and (3) the Food for Progress Act. Through the Commodity Credit Corporation (CCC), we also maintain a commodity reserve, the Bill Emerson Humanitarian Trust, to ensure that grain is available for P.L. 480 programming in times of

extraordinarily tight U.S. supplies and to respond to emergency humanitarian food aid needs in developing countries through Title II of P.L. 480. In addition, we are implementing a pilot program, the Global Food for Education (GFE) Initiative, which began in fiscal year 2001.

The P.L. 480, Title I program focuses on establishing a U.S. presence in emerging markets and meeting humanitarian needs. It is administered mainly on a government-to-government basis. USDA is responsible for policy formulation and program administration in carrying out P.L. 480, Title I sales activities. In fiscal year 2001, concessional sales of about 753,000 tons of commodities valued at \$105 million were programmed to seven countries under Title I. This year, 10 countries are eligible to receive about 628,000 tons of commodities valued at about \$114 million.

Section 416(b) of the 1949 Act authorizes donations of surplus Commodity Credit Corporation (CCC) stocks to assist needy people overseas. For fiscal 2001, the value of commodities donated under Section 416(b), including contributions to the World Food Program and the Global Food for Education Initiative, totaled \$630 million. This year, the value of commodities donated under this authority is expected to be about \$429 million.

Our third authority, the Food for Progress program, provides commodities to developing countries and emerging democracies to support democracy and private enterprise reforms, including agricultural policy reform. Commodities may be made available for Food for Progress programming through the use of funds appropriated under P.L. 480, Title I or from commodities or funds made available by CCC. During fiscal 2001, we provided commodities with a value of about \$107 million to support countries making commitments to introduce or expand free enterprise elements in their agricultural sectors. This year, we will provide commodities valued

at \$113 million, of which about 110,000 tons of commodities valued at \$35 million will be programmed using Title I funds.

USDA also administers the Bill Emerson Humanitarian Trust, a commodity reserve authorized to hold up to 4 million tons and administered by CCC. Commodities may be released from the reserve for use in P.L. 480 programs when U.S. domestic supplies cannot meet the availability criteria for P.L. 480 programs or there is an unanticipated humanitarian need and there are insufficient P.L. 480 funds, such as late in a fiscal year when funds may have been fully committed. This emergency reserve has been tapped six times since its inception—three times to meet unanticipated needs, primarily in Africa, and three times due to short domestic supply situations.

Under the pilot Global Food for Education Initiative, USDA donates U.S. agricultural commodities for use in school feeding and pre-school nutrition projects in developing countries. School feeding programs help assure that children attend and remain in school, and improve childhood development and achievement.

Under this pilot program, USDA's CCC committed \$300 million in U.S. commodities, transportation, overseas distribution, as well as some administrative expenses. Commodities were donated under the authority of the Section 416(b) program. USDA-approved projects are being conducted through the United Nation's World Food Program, private voluntary organizations, and one foreign government.

Food Aid Review

Despite the success of these programs and the positive economic growth in many developing countries, the need for food aid persists. The U.S. government tries to maintain

maximum flexibility in its programs so as to be able to respond to changing global realities and to provide the appropriate program mix to meet critical needs within available resources. In addition, we are always seeking to improve the effectiveness and efficiency of our programs.

Many conditions affecting overseas food aid have changed since the last Executive Branch review of U.S. food aid programs in the 1970s. The Administration first described the need for a review of food aid programs in the President's *Blueprint for New Beginnings* in February 2001. It expanded on this need and the plan for a review in the President's *Management Agenda* in August 2001.

From August to December 2001, the Administration held a series of meetings to review U.S. foreign food aid programs. All relevant U.S. government agencies and offices participated in the review, including USDA, AID, the Departments of State and Treasury, the Office of Management and Budget, and the Office of the U.S. Trade Representative. Staff of the National Security Council chaired the review. Although not directly part of the review, non-governmental organizations, which were informed of the review, met informally with staff during the review.

The food aid review concluded that the broad objective of U.S. food aid is to use the agricultural abundance of the United States to meet the U.S. government's humanitarian and foreign policy objectives related to the achievement of global food security. The United States will use food aid in a manner that enhances global agricultural trade and provides an appropriate U.S. contribution toward global food needs. Since the review determined that the primary function of food aid is to improve food security, U.S. food assistance programs should increasingly target the most food insecure populations. Direct distribution of food is important in both emergencies and development programs for addressing the hunger of the people most in

need of food. The Administration supports increased direct distribution and continues to support development programs.

A key purpose of the review was to examine the existing food aid programs with the objective of improving reliability, efficiency, and management. Concern was expressed that the number of U.S. food aid programs and the number of agencies involved in administering them have inevitably resulted in an overlap of functions and inefficiencies. The Administration also believes that future food assistance activities should be placed on a more solid foundation by reducing reliance on the year-to-year availability of surplus U.S. commodities. Although there has been a large expansion since 1998 of Section 416(b) donations that have been made available as a result of CCC purchases of commodities when market prices suddenly fell to historic low levels, reliance on that authority creates uncertainties among both recipient countries and distributing agencies.

The Administration's food aid reform proposes an increase in funding for P.L. 480, Title II, to help offset a reduction in planned donations under Section 416(b), along with other complementary initiatives. Specifically, the Administration plans to undertake the following measures:

1. End the use of the CCC Charter Act to purchase commodities that are then donated through Section 416(b), the ad hoc practice begun in 1998 when farm prices dropped precipitously. The Administration does not propose to eliminate Section 416(b). 416(b) programs administered by USDA, which use CCC inventories acquired through domestic support activities (currently nonfat dry milk), will continue.

2. Increase funding request for Title II. The Administration's budget request for fiscal 2003 includes an increase in Title II donations in light of reducing reliance on Section 416(b) authority, uncertain crop surpluses, and unsustainable CCC purchase levels. Title II is, and has been, the basic U.S. government humanitarian food aid program.
3. Increase reliance on the Emerson Trust. For future cases in which there is an increased need for emergency food aid, the Administration will use the Bill Emerson Trust. The Administration is reviewing the procedures for use of the Trust to ensure its flexibility and responsiveness. Should any legislative changes be required, we will work with the Congress to accomplish these.
4. Better focus food aid programs. The Administration will implement Food for Progress government-to-government food aid using Title I funding. In the recently enacted Farm Security and Rural Investment Act of 2002, Congress modified authorities for CCC funding of the Food for Progress program. The Administration is reviewing options on the best way to use those resources in light of the goals of the food aid review.
5. Provide better service to our partners. AID will work with the World Food Program and PVOs; USDA will work with governments.

Concerns of the Subcommittee

Let me now turn to the Subcommittee's specific questions cited in the letter of invitation. I would like to address questions 1 and 3 together, since the questions of phasing out CCC purchases of commodities to donate under Section 416(b) and how our food aid review proposals

will improve food aid efforts are inextricably linked.

The Administration believes that the food aid review proposals I outlined will increase food aid reliability. Programming under Section 416(b) donations that rely on CCC purchases of commodities are to be phased out by fiscal year 2003, with the reduction offset by an increase in Title II funding. Commodities that are acquired by CCC in the normal course of its domestic support operations, such as nonfat dry milk, will remain available for donation under Section 416(b) authority. Shifting donations from Section 416(b) to Title II allows the government, PVOs, and the World Food Program to know much more reliably how much food aid will be available. Title II has been a steady, well-funded program.

This shift will also allow for a greater focus on direct feeding of needy people—an Administration priority. The Administration plans to increase the amount of food under Title II that is available for emergencies and that can be used for direct feeding of hungry people. The Administration also hopes to increase non-food development assistance to make up for part of the decrease in development programs from monetized food aid. Based on these shifts, U.S. food aid will focus more on direct distribution to needy people, and U.S. government funding on development programs.

The Administration plans to eliminate redundant functions of USDA and AID, which will result in less duplication of efforts. Through Title II, AID will administer most PVO and World Food Program efforts as a result of the reduced reliance on Section 416(b), which USDA administers. USDA will administer all government-to-government programs as a result of the Administration funding all Food for Progress programs through Title I, as well as continuing to administer traditional Title I concessional credit agreements. These changes will allow each

agency to focus its efforts, and reduce the need to have duplicative capabilities.

Your letter also asked for our analysis of current trends in global hunger and how consistently our response has tracked those trends. Since the late 1970's, Congress has required USDA each year, through its Economic Research Service (ERS), to assess food security around the world. In its report for this year, we find that Sub-Saharan Africa continues to be the most vulnerable region. In Asia, the situation is improved except for Afghanistan and North Korea, both of which are facing a food supply shortfall this year. The food security situation in Latin America and the Caribbean continues to improve, except for food production shortfalls in Haiti, Honduras, and Nicaragua. In the countries of the former Soviet Union, the situation is most severe in Tajikistan and Armenia, due to a combination of both inadequate food supplies and lack of access to food.

The area of most concern at the moment is southern Africa. A severe drought throughout the region has lowered summer crop yields and may hinder winter wheat planting. Massive imports, most likely of corn, will be needed to meet the demand for food. We are consulting closely with our colleagues in other U.S. government and international aid agencies as we monitor the situation and make plans to respond. We are already providing over \$52 million in food aid to Mozambique, Zambia, Malawi, and Zimbabwe.

Overall, I think we can be proud of our record on providing food aid to the most needy citizens of the world. The United States has, and continues to be, the largest donor of food aid, providing more than half of all global food aid. This is a much higher percentage than our contribution to other international efforts. Our contribution to the UN's budget, for instance, is 25 percent. As USAID Administrator Natsios did last week when speaking of Afghanistan, we

call on other nations to increase their donations of food. We have a history of stepping forward to respond to crises wherever they exist. Our infrastructure is the envy of the world—we can procure and ship our products in a timely way so that PVOs and the World Food Program know they can count on us. Today, USDA and AID together are providing food assistance to help meet food needs in about 80 countries around the world. And while the government provides most food aid, private aid in other forms by Americans through religious, voluntary, and business groups is even greater than official U.S. government aid.

U.S. food donations have often made a life-or-death difference for victims of drought, earthquakes, hurricanes, floods, and, unfortunately, man-made civil strife. One has only to think of India in the 1960s, the Sahelian countries in the 1970s, Africa and Haiti in the 1980s and 1990s, the areas of former Yugoslavia in the 1990s, and North Korea and the Horn of Africa more recently to realize this. The task of providing assistance remains formidable. And, as man-made emergencies have increased, needs have not only increased, they often occur in difficult, dangerous situations.

Your final question asks whether USDA will be retaining oversight of the McGovern-Dole International Food for Education and Child Nutrition program. The Farm Security and Rural Investment Act of 2002 gives the President the authority to designate one or more federal agencies to implement the program. USDA appreciates the opportunity to have implemented the Global Food for Education pilot program and is currently evaluating the initial projects. This evaluation will be part of the process that will be used to make a recommendation to the President on how the program should be structured in the future.

Conclusion

Mr. Chairman, we recognize the magnitude of the problems we face in our efforts to alleviate hunger and suffering around the world. The Food and Agriculture Organization recently estimated that about 800 million people in the world are suffering from hunger and that number is not declining as easily as hoped. And every year, in addition to chronic problems related to poverty, the world faces new hunger emergencies. Yet, in relation to the current needs, the resources available are limited. In this era of tight national budgets, the United States and other food donor nations all face difficult budget questions. The decisions where to allocate our precious resources are likely to become increasingly difficult.

But we must remember that food aid is just one aspect of our efforts to promote world food security. Our food aid efforts work hand-in-hand with our developmental efforts—sharing technology, expanding trade, and promoting economic reform. These are all factors that help produce growth and reduce poverty, the keys to food security.