

Remarks by Henrietta H. Fore Administrator, USAID and Director of U.S. Foreign Assistance

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Thank you very much, Mike, for that kind introduction. I am pleased to be here today at the International Food Aid Conference. This gathering - with farmers, shippers, grain and processed commodity vendors, trade associations, private voluntary organizations, the United Nations, government colleagues, and many more - represents our world and the complexities and scale of our common endeavor. Together, we provide approximately 50 percent of global food aid annually and the strength and capabilities needed to translate humanitarian concerns of the American people into food aid that feeds the hungry half a world away.



And for 54 years, your partnership with the USAID Food for Peace program has allowed us to live up to our historic mission to alleviate and reduce hunger around the world. With your assistance, we have fed over three billion of the world's neediest people. This is perhaps the largest and longest-running expression of humanitarian care ever seen in the world, and a unique American achievement which we can look back on with pride. However, while we have won many battles in the campaign against hunger, today we are facing a new and troubled landscape of hunger.

This landscape is shaped by the impact of rising food and energy costs and is changing the demands and dynamics of today's development and humanitarian assistance. According to a February 2008 United Nations Food and Agriculture Organization (FAO) report, food prices have increased by 75 percent over the last several years, and according to the International Food Policy Research Institute, there has been a 50 percent increase in prices in 2008 so far. Many of the main causes of these increases are structural. Growing populations, increasing incomes, increasing demand for livestock products, fruits, and vegetables; and more frequent droughts and floods make it unlikely that we will see a decline in food prices any time soon. Production is not increasing fast enough to keep up with consumer demand. This changing landscape is driving five major challenges.

First, this is unlike the crises we have faced before. Typical food crises we have dealt with before - from droughts, floods, or conflict - have had clear geographic footprints, limited durations, and relatively homogenous affected populations. But the current crisis, being driven by high food and fuel prices, may not have any of these characteristics. This crisis is likely to be much more diffuse in the locations affected, the length of time it persists and who is affected. These differences are likely to challenge our most fundamental and practiced humanitarian assessment methodologies, response capabilities, targeting skills and delivery systems. Now more than ever, it is imperative that we have capable needs assessment and early warning systems - such as USAID's Famine Early Warning System, host-country market monitoring capabilities, and more regular dialogue with the major market actors in food insecure nations - in order to better prepare and respond.

Second, the poor now face dangerous tradeoffs. While at first it would seem that higher prices for food would be good for poorer farmers, the reality is that the benefits will be limited. In the developing world, most subsistence farmers do not produce enough food even for even their own use. So they do not have the opportunity to sell food at a higher price, and even more, they must then go buy the remainder of the food that they need at a higher price as well. Unable to increase their income they must reduce the quantity or quality of their food consumption - eating less food, or less nutritious but cheaper food - and reduce expenditures for their families in other basic necessities like health care, school fees, and books. As prices of seeds, fertilizer, and transport continue to rise, and high commodity prices attract large companies to invest in farming, the net impact on these small subsistence farmers will be similar to the decline of the family farm in the U.S. While it is still hard to quantify how many more people will have to choose among these painful trade offs there is no doubt that those 850 million people who are already chronically hungry will become even more so, and that many more will soon join their ranks. In the end, rising food costs will dramatically increase the number of people who fall below the poverty line. Today over 2 billion people live on less

than two dollars per day-and nearly all of them will be negatively affected by high food prices.

A third challenge is the weakening of the finances of developing countries. Countries that are net importers of food - which includes most developing countries - are spending more to purchase the same amounts of imported foods. The additional cost of imported foodstuffs in Low Income Food Deficit Countries in 2007 was approximately 25 percent higher than the previous year, according to FAO. This is occurring as many of these countries are also spending more on imported oil, which in a turn affects their ability to provide a food safety net and basic services for an increasing population dependent on this support. It is the poorest countries where global price hikes are felt most directly and acutely, as those same countries have fewer resources to help cushion domestic consumers.

Fourth, hunger is increasingly an urban problem. In the next 30 years the world's population will grow by 2.2 billion people. Of these, we estimate 2 billion will be born in the world's poorest cities. As populations around the globe increasingly move to towns and cities, people are growing less of their own food, and depending more upon their ability to purchase in the marketplace. As market prices continue to increase, this could create a huge increase in the number of people suffering from extreme hunger in towns and cities. Identifying and assessing the needs of who may need assistance will be challenge for all of us, requiring new household-by-household, neighborhood-by-neighborhood needs testing of a type very different from those we undertake in rural areas. If urban hunger continues to grow, the most visible and worrisome threats will be mass protest and civil disruption of the sort we already are beginning to see.

But what is key is that we may be witnessing the beginning of a new, fundamental, and serious change in how populations will cope with hunger in the near future. The changing landscape is driving a structurally different type of food insecurity and may require a structurally different type of humanitarian and development response. We need to find efficient and innovative ways to respond to their needs, for example, through targeted market access programs that make food more affordable. All of this must be done without forgetting the needs of the impoverished who live in rural areas.

Finally, although there is more hunger, we have less food aid. The United States provides approximately 50 percent of global food aid annually and is the largest single provider of international food aid assistance. USAID's food aid program budgets have remained relatively steady at approximately \$1.5 billion annually over the last several years. Within the global context of increasing food aid needs, the amount of food aid available is declining. These budgetary constraints, coupled with steep increases in food prices, have led to a decrease in the tonnage of food aid provided by the international community. The World Food Program reports that since 2002 their food basket costs have risen more than 70 percent due to higher commodity and transport costs. Additionally, the costs associated with carrying out the WFP 2008-2009 management plan have risen by up to \$755 million, and WFP attributes this mostly to commodity price increases since that plan was approved only a short time ago.

At USAID, our commodity costs have risen by 41 percent, and our ocean freight rates have risen 26 percent in this Fiscal Year 2008. This translates into roughly \$265 million in unanticipated costs for our Food for Peace programs. Of that \$265 million, approximately \$200 million is attributed to higher commodity costs. Our existing food aid resources are becoming increasingly limited.

So, how do we face challenges like these? The status quo will not be enough-it is time for us as a community to innovate. So let us outline a global public-private action plan. Let me give you an example. To exchange ideas and foster a common understanding, last week I hosted a meeting of representatives from food aid recipient and donor countries and policy makers. Let me share with you some of the things that we discussed, and raise some new ideas with you. Faced with the magnitude of our challenges, we need every tool available from the business community, the non-profit community, the academic community, and the public sector.

First, food aid remains necessary. Yesterday I had an opportunity to visit the ADM milling facility in North Kansas City and see wheat being prepared for shipment. You cannot do this without thinking of the legacy of those iconic bags with the American flag and the red, white and blue USAID logo-hands clasped in help and friendship-and the lives that they have saved, the hope that they have given, for decades. We cannot succeed in the campaign against hunger without them.

As most of you already know, on Monday the President directed a draw down of the Bill Emerson Humanitarian Trust-one of our most venerable tools in battling hunger-to meet emergency food aid needs abroad. With this action, an estimated \$200 million in emergency food aid will be made available through USAID. This additional food aid will address the impact of rising commodity prices on U.S. emergency food aid programs, and be used to meet unanticipated food aid needs in Africa and elsewhere.

However, the release of the trust does not change the fact that our food aid is becoming a more limited resource. We will need to reserve our limited emergency resources for the most extreme situations where it is clearly essential to save and protect lives. To assure that we keep a strong, agile emergency response capability in the form of our Food

for Peace Program, we are not in favor of Congress reducing the amount of funding available for food aid emergencies by \$100 to \$250 million in the new Farm Bill. This hard earmark could put millions of lives at risk and undermine the ability of the United States to respond in emergency crises.

Second, this crisis demands more than a short-term response. Whether used in an emergency or developmental capacity, we must couple food aid with other responses to worldwide hunger. The structural causes and long-term nature of the price increases we are seeing will require a long-term focus to address. We must look to developmental strategies and programs aimed at increasing production, reducing barriers to trade, and improving access to markets and availability of food, including through broad economic growth. Fortunately, agricultural investments are particularly effective in creating economic opportunities for the poor and increasing food availability—thus contributing to both supply and demand aspects of food security.

Third, aid needs to make reasonable use of local production. We must become more adept at stretching our limited resources by providing as much assistance as possible through the local farmers and local markets. This is one of the reasons why the Administration continues to seek the ability through legislation to use up to 25 percent of P.L. 480 Title II authority and funds for the local purchase of food aid commodities. Local purchase authority will increase the timeliness and effectiveness of the U.S. response to overseas food aid needs by eliminating the need to transport the commodities overseas.

Fourth, increasing productivity and efficiency is essential. During the 1970s and 80s, agricultural productivity in much of the developing world outside was increasing at 3% year. Over the last 15 years, that rate has declined to just 1%, a rate too low to meet the food and income needs of the poor.

Reinvigorating agricultural and rural economic growth and increasing food production in developing countries requires investment in markets, sound policy, and science and technology. For more than 20 years, USAID and land-grant universities have worked together in the Cooperative Research Support program to provide new technologies and management practices for small agricultural producers. Research partnerships in Africa, Asia and Latin America have made important discoveries that improve productivity and train the next generation of scientists. Some of our research investments also aim at markets—in Kenya, for example, we have developed a modern livestock market information system.

Some of our greatest success has been through support of applied science in agriculture. High-yielding crop varieties derived from the International Agricultural Research Centers are grown on hundreds of millions of hectares in the developing world. There has been a longstanding lead role in the Consultative Group on International Agricultural Research that funds these efforts. USAID has also been a leader in applying agricultural biotechnology to the crops and problems of smallholder farmers in Africa and Asia, often in partnership with the private sector. With the constraints of our budgets, we are encouraging foundation and private sector partners to consider how they can increase their efforts in maintaining these vital agricultural research programs.

More than ever before, we need to leverage the power and resources of private business and non-profit organizations with USAID to succeed in a pro-growth agenda in support of agriculture, trade and market development. In this respect, the 21st century "Green Revolution" will differ from the first, which mainly involved public sector partners. For example, last year, USAID and the Alliance for a Green Revolution in Africa partnered in a five-year, \$61 million alliance to develop a commercial seed industry in West Africa. By providing affordable, timely, and reliable access to high-quality seeds and planting materials the alliance partners plan to build a more inviting, stable environment for business investment and growth in West Africa. The partners, including the Rockefeller Foundation, the Bill and Melinda Gates Foundation, Pioneer Hi-bred, Monsanto, Kemseed, and the African Trade Association, are working to establish a stable network of over 800 agro-dealers which serves more than half a million farmers.

In another instance, USAID collaborated with the Foods Resource Bank, the W.G. Kellogg Foundation and U.S. farmers and agribusinesses to provide donations of land, equipment, seeds, fertilizer, and cash. Farmers in the U.S. providing farmers in developing countries with a means to build their own agricultural industry. So far, over 6,000 families in Kenya now consume up to three meals a day and 300 Gambian women have increased their salaries by more than 50 percent by selling vegetables.

These partnerships have enormous potential to increase food security and create markets where there is limited economic opportunity. This is the time when we can address this challenge before us.

Finally, the ultimate anti-hunger tool is a favorable business climate. As more and more people come to depend on the markets for their food, we must seek to improve performance of market and trade systems in the developing world. Worldwide, ninety-seven percent of the agricultural sector is financed by private sector loans and equity. If we want agriculture to succeed, business must succeed. USAID has just finalized our Economic Growth Strategy, which emphasizes the central importance of host country economic growth policies and efforts, anti-corruption policies and

efforts, and good governance to foster a positive climate for business expansion and investment. At the heart of economic growth in any country is freedom for entrepreneurs - including farmers and people in agribusinesses - to start and grow businesses quickly and effectively, without red tape.

Well considered government policies can be of great help in protecting the poor and vulnerable and averting crisis. However, when the hungry have no voice in their own government, when decision making is not transparent or the law applied capriciously, when economic growth is not important to leaders, when transportation routes and trading markets are restricted or closed, the suffering increases. The challenges posed by the emerging world food crises will be impossible to navigate without the efforts and commitment of policy and decision makers at all levels of government in every country. For this is a global challenge, one in which all nations will be affected-those who are net exporters of food, and those that are net importers of food.

In addition to supporting good business environments, we are working to develop major agricultural trade and transport corridors. These corridors play a key role in economic development, especially supporting the movement of food and other commercial goods among countries in Africa. Fifteen of these corridors connect 35 countries in Africa. They connect major production areas to major consumption centers, and - this is key - if these corridors are developed, this can substantially reduce the price of major food staples and positively affect the well-being of 70% of the population of Africa.

We are in a new era, and new eras require new approaches. I believe that a significant part of this approach will be public-private partnerships. While President Bush and Congress have more than doubled development assistance in this decade, American private capital flows to the developing world have tripled between 2003 and 2005 alone. Through USAID's Global Development Alliance, a model for public-private partnerships, we have helped impoverished communities meet their most basic needs while working to increase access to markets. Since 2001, USAID has cultivated more than 680 alliances with 1,700 distinct partners to leverage more than \$9 billion for development programming. Across virtually every industry and sector, we have learned how to work better by building on public and private skills resources to reduce hunger and poverty.

But I see this as only a beginning. That is why I am challenging USAID to triple the value of resources our agency leverages through public-private partnerships, and to do so during this fiscal year and the next. More partnerships will provide developing countries more opportunities, more jobs, and more prosperity.

From the above examples, we see how the public and private sector are innovating to improve market and trade system performance and meet the growing humanitarian needs of the developing world. I challenge each of you to think creatively about these issues and work together to build solutions. During this year, USAID will be reaching out to bring together people in this room, and others, to challenge you to find ways to innovate and improve the American approach to food aid. And I ask you to partner with us in this effort.

As Mike mentioned in his introduction, I was, in my career, first and foremost a businesswoman. What he did not mention is that for generations, my father's family has come from the farm states of the Midwest. In fact, when I was growing up, my father had a milling company. My experience has shown me that the innovation and creativity to confront many of the challenges we face as a result of this changing landscape rests not in the hands of the United States Government alone, but partnership among all of us in this room. The challenges that U.S. food aid must address almost immediately are increasingly complex and much larger than they have been in the past-we all know that these are not easy times. But fundamentally, our work is about the same things, which need no explaining to the people who are here in this room: the dignity of being able to feed one's family, and the opportunity to give the next generation a better life.

I ask that you and your organizations join us in the effort to find ways to invest in developing countries in a manner which both advances American interests and supports those who need our help the most in the developing world.