# HEARING TO REVIEW FOOD AID AND AGRICULTURE TRADE PROGRAMS OPERATED BY THE U.S. DEPARTMENT OF AGRICULTURE AND THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

## HEARING

BEFORE THE

SUBCOMMITTEE ON
SPECIALTY CROPS, RURAL DEVELOPMENT,
AND FOREIGN AGRICULTURE

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

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# HEARING TO REVIEW FOOD AID AND AGRICULTURE TRADE PROGRAMS OPERATED BY THE U.S. DEPARTMENT OF AGRICULTURE AND THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

**THURSDAY, MAY 10, 2007**

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON SPECIALTY CROPS, RURAL DEVELOPMENT, AND FOREIGN AGRICULTURE,
COMMITTEE ON AGRICULTURE,
*Washington, D.C.*

The Subcommittee met, pursuant to call, at 1:08 p.m., in Room 1300 of the Longworth House Office Building, Hon. Mike McIntyre [Chairman of the Subcommittee] presiding.

Members present: Representatives McIntyre, Salazar, Barrow, Musgrave, Smith and Moran.

Staff present: Aleta Botts, Adam Durand, Scott Kuschmider, Sharon Rusnak, Kristin Sosanie, Mike Dunlap, and Jamie Weyer.

## OPENING STATEMENT OF HON. MIKE McINTYRE, A REPRESENTATIVE IN CONGRESS FROM NORTH CAROLINA

Mr. MCINTYRE. This hearing of the Subcommittee on Specialty Crops, Rural Development, and Foreign Agriculture to review food aid and agriculture trade programs operated by the U.S. Department of Agriculture and the U.S. Agency for International Development will come to order. I am Mike McIntyre from the 7th District of North Carolina, and I am pleased to have you with us—especially our guests today here in this Subcommittee meeting.

It is always a special privilege to hear from our witnesses, and we have several today. This is an opportunity for us to be able to hear from a special set of witnesses, and in the interest of time, since I was unduly delayed, I am going to forego my opening statement to put us right back on schedule and to honor the time of our friend and colleague, Mr. McGovern, so that he can be on schedule and we will honor his time as well as one of our special panelists.

So with that, I will ask the Ranking Member if she has any comments and then we will proceed.

[The prepared statement of Mr. McIntyre follows:]

PREPARED STATEMENT OF HON. MIKE MCINTYRE, A REPRESENTATIVE IN CONGRESS FROM NORTH CAROLINA

Good afternoon, and welcome to the Subcommittee's hearing on the food aid and foreign agriculture programs operated by the U.S. Department of Agriculture and

the Agency for International Development. I am pleased to welcome Mr. Yost, the Administrator of the Foreign Agricultural Service, and Mr. Hammink, Director of the Office of Food for Peace at the U.S. Agency for International Development.

The Trade Title of the farm bill authorizes programs that provide food aid and that help promote U.S. agricultural products in overseas markets. Many of these programs are up for reauthorization this year, and this hearing is designed to reexamine these programs as we prepare to write a new farm bill very soon.

**Importance of Food Aid**

I am proud to be able to say that the United States is by far the largest contributor of international food aid, providing over half of the annual total worldwide. I believe this represents the best qualities of our nation and our values as we share the fruits of our harvests with people in need across the globe.

Unfortunately, despite the $70 billion provided by the United States over the last fifty years, millions of people around the globe face severe food shortages every year. As the witnesses will point out today, we are actually seeing an increase in the numbers of people needing food assistance. Shocks to food systems that might have resulted in one bad year twenty years ago now seem to set countries back multiple years and multiple harvests. I hope the witnesses will address how we can better use the food we provide to reduce the incidence of these situations.

As we examine these programs in the farm bill, we need to determine where changes are relevant to ensure that our food aid programs work as designed. One theme that dominated a recent Government Accountability Office report was the need for greater interagency coordination and monitoring to ensure that every dollar spent on food aid is put to good use. I know the witnesses here today will address the concerns about food aid, and I hope they will elaborate on how we are using food aid now to enhance the lives—and really to save the lives—of people across the globe.

**Market Development Programs**

In addition to the food aid programs in the farm bill, critical foreign market development programs are up for reauthorization as well. These programs provide the help that our agricultural industry and small businesses need to seek out and expand in overseas markets. Many agricultural producers and value-added businesses want to sell overseas, but simply lack the capacity and resources to finance such an expansion. These programs fill that gap by ensuring that entities, like the one from North Carolina here today, can break down the barriers that prevent them from exporting high-quality, home-grown American product overseas.

As the Inspector General of USDA pointed out in a recent report, we need greater efforts to address declining global market share for our agricultural producers. We need to examine ways to improve our strategy on behalf of these producers who are competing in the global marketplace. I hope both USDA and the recipients of benefits of these programs can help us find ways to do just that today.

**Conclusion**

This hearing provides us an opportunity to take a look at the title of the farm bill that contains these programs and look for ways to improve upon the foundation that has been in place for over 50 years, in the case of our international food aid programs.

I would encourage witnesses to use the 5 minutes provided for their statements to highlight the most important points in their testimony. Pursuant to Committee rules, testimony by witnesses along with questions and answers by Members of the witnesses will be stopped after 5 minutes. Your complete written testimony will be submitted in its entirety in the record.

Mrs. Musgrave.

## OPENING STATEMENT OF HON. MARILYN N. MUSGRAVE, A REPRESENTATIVE IN CONGRESS FROM COLORADO

Mrs. MUSGRAVE. Thank you, Mr. Chairman. I will be brief. I just want to thank you for calling this hearing today to review our food aid and agricultural trade programs that are operated by the United States Department of Agriculture and the U.S. Agency for International Development.

I want to thank all of our witnesses that have come to our Committee today and especially Cary Wickstrom, a fellow Coloradoan, a wheat grower from my area. I am very glad to have Cary here.

I am looking forward to hearing from USDA and USAID and their partners in the battle against hunger in the world. The United States is the largest contributor of food aid in the world—providing humanitarian and development assistance through a variety of programs, and last year in the Sudan alone the U.S. provided over ⅔ of all contributions to the World Food Program. The prominent program, Public Law 480, known as Food for Peace, which shares the abundance of our United States food with those in need around the world, along with McGovern-Dole Food for Education, Food for Progress and related programs to secure necessary commodities for donation. Food for Peace provides resources for both emergencies and developmental programs to reduce chronic hunger.

Among the issues before us today is the Administration's proposal to use up to 25 percent of Public Law 480 Title II funds for local or regional purchase and distribution of emergency food aid. I strongly oppose the purchase of commodities in foreign markets with their uncertain availability as a substitute for maintaining a stable pipeline of commodities vital to meeting the needs for millions of people worldwide. Regional purchase of commodities has been attempted as a stopgap measure in dire emergencies but it has had really limited success. So with very little evidence to support such a bold divergence from programs with a proven track record, I am opposed to a move which would put less food in regions of dire need.

I also look forward to hearing the testimony from the witnesses pertaining to the Market Access Program and Foreign Market Development Program. As U.S. producers and exporters face unfair competition abroad, these programs have lessened the damage from foreign export subsidies. In addition to promoting exports of American agricultural goods, market access and the developmental programs provide assistance to navigate the very complicated importation requirements of the other countries. Far from being a simple pay-out, the Market Access Program requires significant investment from the participating company through matching funds and a clear plan for success. It is also estimated that the benefits of these programs last from 3 to 5 years beyond the initial investment and this really leverages the impact of the programs. When facing significant export subsides abroad, it is important to give U.S. companies the tools they need to overcome these barriers. This hearing today will provide the background for streamlining food aid and agriculture trade programs needed as we approach this next farm bill.

Thank you very much, Mr. Chairman.

[The prepared statement of Mrs. Musgrave follows:]

PREPARED STATEMENT OF HON. MARILYN N. MUSGRAVE, A REPRESENTATIVE IN CONGRESS FROM COLORADO

Thank you, Mr. Chairman, for calling this hearing today to review food aid and agriculture trade programs operated by the U.S. Department of Agriculture and the U.S. Agency for International Development. I would like to thank each of our witnesses for being here today. I also especially want to thank Cary Wickstrom, a

wheat grower and fellow Coloradoan, for offering his testimony on food aid programs.

I look forward to hearing from USDA, USAID, and their partners in the battle against hunger in the world.

The United States is the largest contributor of food aid in the world, providing humanitarian and development assistance through a variety of programs. Last year, in Sudan alone, the U.S. provided over ⅔ of all contributions to the World Food Program.

The prominent program is Pub. L. 480, known as Food for Peace, which shares the abundance of U.S. food with those in need around the world. Along with McGovern-Dole Food for Education, Food for Progress, and related programs to secure necessary commodities for donation, Food for Peace provides resources for both emergencies and development programs to reduce chronic hunger.

Among the issues before us today is the Administration's proposal to use up to 25% of P.L. 480 Title II funds for the local or regional purchase and distribution of emergency food. I strongly oppose the purchase of commodities in foreign markets with uncertain availability as a substitute for maintaining a stable pipeline of commodities vital to meeting needs for millions of people worldwide.

Regional purchase of commodities has been attempted as a stopgap measure in dire emergencies, but with limited success. With very little evidence to support such a bold divergence from programs with a proven track record, I am opposed to a move which would put less food in regions of need.

I also look forward to hearing testimony from the witnesses pertaining to the Market Access Program and Foreign Market Development Program. As U.S. producers and exporters face unfair competition abroad, theses programs have lessened the damage from foreign export subsidies.

In addition to promoting exports of American agricultural goods, market access and development programs provide assistance to navigate the complicated importation requirements of other countries. Far from being a simple pay-out, the market access program requires significant investment from the participating company through matching funds and a clear plan for success.

It is also estimated that the benefits of these programs lasts from 3 to 5 years beyond the initial investment, further leveraging the impact of the programs. When facing significant export subsidies abroad, it is important to give U.S. companies the tools they need to overcome those barriers.

This hearing today will provide the background for streamlining food aid and agriculture trade programs needed as we approach the next farm bill. Thank you, Mr. Chairman, for holding this hearing today.

Mr. MCINTYRE. Thank you, Mrs. Musgrave.

As I said earlier, I am going to forego my opening statement and will submit it for the record, so let me move to the procedural aspect of this. This hearing does provide us an opportunity to take a look at the title of the farm bill that contains the programs that I mentioned briefly earlier and that Mrs. Musgrave has described as well, and we are very excited about the witnesses that are here today. We have an extremely long set of witnesses because of the different panels. I want to remind the witnesses that will be testifying throughout the course of the afternoon of the 5 minutes that are provided under the rules. Please highlight the most important points in your testimony, and pursuant to Committee rules, testimony by the witnesses along with questions and answers by Members will be stopped after 5 minutes. So that everybody will know, the complete written testimony of any of the witnesses or the Members will be submitted to the record in their entirety as requested. We may be joined today as well by former Chairman Goodlatte and Chairman Peterson, and as they come in, we will obviously recognize them. If there are any others who would like to make opening statements who are members of the panel, we will ask them to do that by entering it into the record.

[The prepared statement of Mr. Goodlatte follows:]

PREPARED STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM VIRGINIA

Thank you, Mr. Chairman, for holding this hearing on food aid and agriculture trade programs operated by the U.S. Department of Agriculture and the U.S. Agency for International Development. I look forward to hearing comments from the agencies and private organizations involved in facilitation and distribution of foreign food aid.

During a recent trip to Sudan I witnessed firsthand the incredible need for food aid among those displaced by conflict. Without a steady supply of food, many of these displaced people would not be able to survive. Our farmers and ranchers produce the safest, most abundant, and affordable food supplies in the world, and we proud to be able to share the bounty of our harvest with those who need it most in the global community.

I am disappointed that the Administration has brought forth a proposal which would significantly shift food aid policy away from providing food for the hungry in favor of sending cash abroad. The Administration's proposal would essentially pull $300 million out of taxpayers' pockets and drop it directly into our competitor's markets, such as the EU. We cannot guarantee the availability of commodities in foreign markets, but we can guarantee the availability, safety and reliability of American commodities. I strongly oppose replacing a consistent, reliable source of food with potentially unreliable sources in foreign markets.

The U.S. is the world's largest contributor to food aid programs, supplying roughly 60 percent of total food aid every year. The reality is that if you want to provide foreign food aid, there must be Congressional support. The P.L. 480 program enjoys broad support because it provides hungry people worldwide with safe, nutritious foods while ensuring that the American people's generosity addresses hunger directly and without a possible diversion of funds.

Shifting such a large portion of the P.L. 480 budget to cash jeopardizes Congressional support for food aid. As I have in the past, I will continue to oppose this proposal.

I look forward to hearing from the industry regarding the Market Access Program and Foreign Market Development Program. Such initiatives help small businesses and co-ops position their products in competitive foreign markets and I look forward to their comments.

Thank you, Mr. Chairman.

As I mentioned earlier, we would like to honor the time of our fellow colleagues who are coming on our first panel today, Jim McGovern and Jo Ann Emerson, and they along with the special guests of our Subcommittee, Jerry Moran and I, all are from the same class, the class of 1996, so we have got a little mini reunion here. I am thrilled, Jim and Jo Ann, to have you here, so the Honorable Jim McGovern, Member of Congress from Massachusetts, and the Honorable Jo Ann Emerson, Member of Congress from Missouri, we welcome you both.

Mr. McGovern, you may begin.

## STATEMENT OF HON. JAMES P. MCGOVERN, A REPRESENTATIVE IN CONGRESS FROM MASSACHUSETTS

Mr. MCGOVERN. Thank you, Mr. Chairman, and I am delighted to be here, and I want to thank the Committee for giving us this opportunity to talk about the important contributions of the George McGovern-Robert Dole International Food for Education and Child Nutrition Program, better known as the McGovern-Dole Program, and I am especially pleased to be here with my colleague, Jo Ann Emerson, who has played such an important role in establishing and promoting this program. Let me begin, Mr. Chairman, by saying that I believe that the McGovern-Dole Program with its flexible mix of commodities, cash and technical aid is one of our most successful food aid programs.

In April I had the opportunity to visit two McGovern-Dole projects in Kenya, both administered by the World Food Program. Working with the Kenyan Government, WFP carries out a school feeding program that reaches 1.1 million children in 3,800 schools. The McGovern-Dole Program provides about half of the funding, mainly in the form of commodities for this nationwide program and directly serves over ⅓ of these children. On average, it costs just 9¢ a day to provide these children with a hot school lunch each day. I first went to the Mukuru Kayaba Primary School situated in the Mukuru slums in Nairobi with 1,300 students. These children live under very poor conditions in shanties with no regular food to eat. About 70 children are HIV/AIDS orphans and at least one parent is lost every 2 weeks due to the HIV/AIDS pandemic. When school feeding was introduced, the school population increased rapidly. It also allowed students to remain in school the whole day. Mrs. Faith Wachira, the School Head Teacher, reported that providing a hot lunch significantly reduced truancy. Despite their poor backgrounds, parents assist in the daily preparation of the food and provide firewood, salt, water, feeding utensils and other essentials. I joined the students for their lunch of corn and soy meal, maize and vegetable oil cooked into a thick porridge. One student I sat next to, sad to say, was hoarding some of his food, whether for himself to eat later or for another family member at home, I don't know.

The next day I visited the Kajiado Girls Primary School run by the African Inland Church. Located 2 hours outside of Nairobi, the school began as a rescue center for Maasai girls who were being forced into early marriage. Current enrollment consists of 637 girls. In the Maasai community, there exists a belief that girls don't deserve an education and should remain at home doing chores. There is also a tradition of arranged marriages between girls as young as 12 and much older men. At the Kajiado School, many of the girls actually board at the school out of fear that if they return home, they will be forced into marriage and over 100 remain at the school during holidays because they cannot safely return to their homes. My guide was Head Teacher, Mr. Nicholas Muniu. He told me how the McGovern-Dole Program, which began in 2001, significantly reduced the school's dropout rate. Now the retention rate and daily attendance are very high. Since the school is a boarding school, both lunch and dinner are provided. McGovern-Dole also freed up funds in the school's budget that were used to hire professional cooks, improve the kitchen facilities, purchase local produce and reduce or eliminate the modest school fees for the neediest pupils. I was particularly moved by a girl named Grace who refused her father's demand that she marry an older man when she was only 13. In response, her father bought a sword with which to kill her and actually demanded that she bring him the weapon to end her life. She fled, and she is now at the school doing exceptionally well. She is safe, healthy, well fed, and with an education. She will have a bright future. At Kajiado, I served split yellow pea soup and a heaping serving of bulgur wheat for lunch—all provided through the bounty of America's farmers.

Regrettably, since 2003, funding for McGovern-Dole has never come close to its initial $300 million budget. Annual funding is still

only ⅓ of what it was in the pilot phase. McGovern-Dole presently reaches less than half the number of children as in the first year, and is operating in half the original countries. I have seen first-hand how devastating these cuts have been for some of the poorest and most vulnerable children in places like Colombia and Ethiopia.

Congresswoman Emerson and I have introduced legislation, H.R. 1616, which we believe provides a blueprint on how to restore funding for the McGovern-Dole Program. Currently, the bill has 111 co-sponsors. Restoring the funding would allow USDA to award multiyear grants of 3 to 5 years in duration, increasing local confidence in the program and strengthening the ability of projects to become self-sustaining. New projects could be initiated and existing projects expanded. Also, funding could finally be awarded to pre-K and early childhood education projects, which are authorized in the McGovern-Dole Program but lack the funds to move forward.

Mr. Chairman, I have traveled to some of the poorest areas of the world, city slums and remote rural areas. Not once did anyone ever ask me for a bomb or a missile or a military base. Instead, mothers and fathers literally beg for help simply to keep their children alive, fed and in school. Mr. Chairman and Members of the Committee, I know that you face difficult choices given the budget constraints that you must work within, but McGovern-Dole has proven itself as a very effective way to meet these needs.

Thank you.

[The prepared statement of Mr. McGovern follows:]

PREPARED STATEMENT OF HON. JAMES P. MCGOVERN, A REPRESENTATIVE IN CONGRESS FROM MASSACHUSETTS

I want to thank Chairman Mike McIntyre, Ranking Member Marilyn Musgrave and the Members of the Subcommittee for granting me this opportunity to testify on the important contributions of the George McGovern-Robert Dole International Food for Education and Child Nutrition Program (McGovern-Dole). I am especially pleased to be joined by my distinguished colleague from Missouri, Representative Jo Ann Emerson, who has played such an important role in helping to establish and promote this program.

McGovern-Dole is among the newest of U.S. food-related development programs. It was launched in 2000 by President Bill Clinton as a pilot program, the Global Food for Education Initiative (GFEI). The purpose of the program is simple and straightforward: to reduce the incidence of child hunger among school-age children and to increase their access to education by providing at least one nutritious meal each day in schools. The GFEI was administered by the U.S. Department of Agriculture (USDA) and provided $300 million to 48 school feeding projects in 38 countries, reaching nearly seven million children. These projects were carried out in 2001–2002 by U.S. non-governmental organizations (NGOs), the United Nations World Food Program (WFP), and one national government, the Dominican Republic.

The pilot program proved so successful and received such high evaluations that it was established as a permanent program in the Farm Security and Rural Investment Act of 2002 and named in honor of former senators George McGovern of South Dakota and Robert Dole of Kansas for their tireless commitment to end child hunger here at home and around the world. The McGovern-Dole made a number of improvements over the GFEI pilot program—expanding the universe of U.S. commodities available for projects; providing financial and technical assistance for transportation, storage, and to strengthen nutritional and educational inputs; emphasizing the enrollment and attendance of girls and other marginalized children; requiring family and community engagement in the project; requiring elements of sustainability to be built into the projects from the beginning; and strengthening USDA's monitoring and evaluation criteria and capacity for each project. The projects must target low-income and poverty areas with low school attendance, especially among girls, and where there is a high incidence of child hunger and food insecurity. The

program continues to be administered by the office of Foreign Agricultural Services in the USDA.

Over the past 5 years, the McGovern-Dole Programs have received stellar evaluations, both from USDA and from non-governmental studies. On average, enrollment rose by 14 percent in schools served by McGovern-Dole projects, with enrollment of girls increasing by 17 percent. Teachers and program administrators report a greater ability of children to concentrate after receiving school meals, a general improvement in academic performance, and improved test scores. The McGovern-Dole Program has increased local communities' concern for and participation in their children's education. In addition, both households and schools have benefited from training on food preparation, health—including HIV/AIDS education and prevention—and hygiene provided through the program.

Rather than report a variety of statistics and results, I encourage the Members of the Subcommittee who have not yet had a chance to review the USDA evaluations of the GFEI and the McGovern-Dole Program to ask USDA to provide you with copies. There you will see the wide variety of commodities, projects, and best practices employed by the implementing NGOs and WFP. Each program is tailored to meet the needs of the local communities, region and country; each receives additional financial and in-kind support from national governments, other country and international donors, private sector or individual contributors, and/or the local communities themselves. Several programs have already "graduated" and achieved sustainability, including projects initiated in Lebanon, Moldova, Vietnam and Kyrgyzstan.

Leaders on both sides of the aisle in Congress agree that the McGovern-Dole Program is one of the best programs the United States has to end poverty and hunger in the developing world. I have attached to my testimony copies of letters and cosponsors of legislation that verify this broad bipartisan support. Republican Senator Pat Roberts of Kansas has stated that the McGovern-Dole Program serves U.S. national security interests. Terrorism breeds where there is hunger and poverty, ignorance and despair. McGovern-Dole addresses all of these by providing children not only with food, but the hope and promise that come with education.

Over the April recess, I traveled to Ethiopia, Kenya and eastern Chad to look at food aid and food security programs that address child hunger, HIV/AIDS and nutrition, and meeting emergency humanitarian crises. In Kenya, I was privileged to visit two McGovern-Dole projects, both administered by the World Food Program.

WFP, in collaboration with the Kenyan Government's goal to provide universal education to its children, carries out a school feeding program that reaches 1.1 million children in 3,800 schools. On average, it costs about 9¢ a day to provide these children with a hot lunch each school day made up of pulses, corn and vegetable oil. The U.S.-funded McGovern-Dole Program provides about half of the funding in the form of commodities for this nation-wide program, and directly serves over ⅓ of these children. The Kenyan Government, other international donors—like the UK and Japan, the private sector, individual contributions from the U.S. Friends of WFP, and contributions from the local beneficiary communities provide the remaining funding for the overall national program.

The first school I visited is the Mukuru Kayaba Primary School, a public primary school situated in the Mukuru slums in Nairobi. The school started in 1985 as a non-formal school, with only one shanty room, two teachers and 10 pupils. It has grown to the current population of 1,300 children, including 653 girls and 647 boys, and became a public school in 1990.

These children live under very poor conditions, in shanties, with no regular food to eat, given that the majority of their parents are without jobs. Girls are at great risk in the community. Sometimes they are abducted on their way home from school, and their security is always an issue. The school has about 70 children orphaned by HIV/AIDS who are being taken care of by their relatives or well-wishers. I was told that the school loses at least 1 parent every 2 weeks due to the HIV/AIDS pandemic. But I'm pleased to inform the Committee that HIV/AIDS education and prevention are provided at the school to all the pupils. Finally, there are frequent fires in the slum community, which often leaves many pupils homeless.

When school feeding was introduced, the school population increased rapidly and allowed for the children to remain in school the whole day. Mrs. Faith Wachira, the formidable woman who is the School Head Teacher, wanted me to know that there has been a significant reduction in truancy after the introduction of lunch, given that the majority of the pupils were formerly from the streets. Despite the poor backgrounds of the children and the community at large, the parents assist in the daily preparation of the food and provide firewood, salt, water, feeding utensils, and other essentials. Mrs. Wachira is rightfully proud of the progress of her pupils and her staff.

I had the privilege to serve the children their lunch, and to join them during lunchtime. It's a simple meal of corn and soy meal, maize and yellow split peas, and vegetable oil—cooked into a thick porridge. One of the children I sat next to, I'm sad to say, was hoarding some of his food, whether for himself to eat after school or for another family member at home, I don't know.

The second school I visited is Kajiado Girls Primary School, run by the African Inland Church. Located over 2 hours outside Nairobi in Maasai country, the school originally began as a rescue center for Maasai girls who were being forced into early marriage. Over the years, enrollment has increased exponentially from the initial 20 girls to the current total of 637 girls. The McGovern-Dole Program began in 2001 and is administered by WFP.

In the Maasai community, there exists a belief that girls don't deserve an education and should remain at home doing chores. There is also a tradition of arranged marriages between girls as young as age 12 and much older men. At the Kajiado School, many of the girls actually board at the school out of fear that if they return home, they will be forced into marriage. During holidays and when school is not in session, over 100 of the girls remain at the school because they cannot safely return to their homes and villages.

My guide at the school was Head Teacher Mr. Nicolas Muniu, who has been with the school for the past 27 years. He told me that the McGovern-Dole Program has contributed significantly to a reduction in the school's drop-out rate. The retention rate and daily attendance are both very high. Given that the school is also a boarding school to many of its students, the food provided contributes significantly to the daily provision of both lunch and dinner. McGovern-Dole has also freed up funds in the school's budget that were used to hire professional cooks, improve the kitchen facilities, purchase local produce, and reduce or eliminate the modest school fees for the neediest pupils.

I was particularly moved by a girl named Grace, who refused her father's demand that she marry an older man when she was only 13.

In response, her father bought a sword with which to kill her, and actually demanded she bring him the weapon to end her life. She fled—and she is now at the school doing exceptionally well. She is the prefect of her class—or "head girl," and is the leading student in mathematics. She is safe, healthy, well-fed, and with an education, will have a bright future. When I talked with this modest, composed young woman, I genuinely felt like I was seeing the potential of Kenya's future.

The lunch I helped serve to Grace and several hundred other girls that afternoon consisted of a split yellow pea soup and a heaping serving of bulgur wheat. All provided through the bounty of our own farmers. I tried some myself, and I must admit it was both filling and very tasty.

When I returned to Washington, I saw a report produced by the Center for Global Development entitled, "Inexcusable Absence: Why 60 million girls still aren't in school and what to do about it." One of the success stories it reviewed is the universal education program in Kenya. And one of the statistics cited said that "In Kenya, school feeding programs raised attendance in program schools 30 percent relative to schools without a free lunch; and test scores were also higher." From my brief visits, I can certainly affirm the likelihood of these results.

Regrettably, since 2002, funding for the program has never come close to its initial $300 million budget. The last farm bill reauthorization provided $100 million for FY 2003, which was to serve as a funding "bridge" for a smooth transition from the GFEI pilot program to the McGovern-Dole Program. In FY 2004 it received only $50 million; $91 million in FY 2005, an increase due largely to strong bipartisan efforts in the House and Senate to increase the funds; and it has been funded at $99 million in FY 2006 and FY 2007. The President's FY 2008 budget proposal once again requests only $100 million for the program.

Erratic funding levels are a serious concern. Even as the program's budget increased from 2004, annual funding is still only a third of what it was in the pilot phase. McGovern-Dole presently reaches less than half the number of children as in the first year, and is operating in less than half the original countries.

I have seen first-hand how devastating these cuts have been for some of the poorest and most vulnerable children in Colombia and Ethiopia. Each country received substantial GFEI projects in 2001 and 2002, but those programs were eliminated when funding was cut to $50 million in 2004 and have never returned. Luckily, in Colombia, USAID stepped in and picked up the former GFEI school feeding programs that were addressing the needs of internally displaced communities. I travel fairly frequently to Colombia, and I still hear requests from the WFP, NGOs and local communities for a return of McGovern-Dole funding and projects. One mother thanked me and the United States for the meals and schooling provided to her children. She told me that the school meals program not only allowed her to send her

children to school, but kept her son from being recruited as a child soldier by the para-militaries and the FARC guerrillas.

Over the April recess, I traveled to Ethiopia to review food aid and food security programs. Ethiopia also benefited from the GFEI pilot program, receiving $5.3 million over 3 years and reaching over 300,000 children. Ethiopia is one of the educationally least developed countries in sub-Saharan Africa. Household food insecurity is a national problem, with an estimated 90 percent of rural household affected either by chronic or transitory food shortages. In food insecure areas of Ethiopia, school children walk an average of 3 to 4 kilometers—or 1 hour—to reach school on an empty stomach each morning, primarily due to food shortages at home. These nutritional and hunger problems reduce the learning capacity of school children, weaken their commitment to school, and hinder their active participation in educational activities. In April, the WFP coordinator for Ethiopia told me that he keeps submitting proposals to USDA for McGovern-Dole Programs, but they are not accepted. The reason is simple: the McGovern-Dole Program lacks adequate funding.

Congresswoman Emerson and I have introduced legislation, H.R. 1616, which we believe provides a blueprint for the Committee on how to restore funding for the McGovern-Dole Program back to its original $300 million level over a 5 year period. Currently, the bill has 111 bipartisan cosponsors. I encourage you to review its provisions as you move to take up the farm bill reauthorization in the coming weeks.

Restoring such funding would allow for the McGovern-Dole Program to award multi year grants of 3 to 5 years in duration, which would greatly increase local confidence in the program and strengthen the ability of projects to build in self-sustaining elements. Such funding levels would also allow for existing programs to expand their reach and for new projects to be funded. And finally, it would allow for funding to be awarded to projects focused on pre-K and early childhood education, projects that are authorized under the McGovern-Dole but which the lack of funds has prevented from moving forward.

I would simply like to conclude by saying that I have traveled to some of the poorest areas of the world, city slums and remote rural areas. Not once did anyone ever ask me for a bomb or a missile or a military base. Instead, mothers and fathers literally beg for help simply to keep their children alive, fed and in school.

When we provide young children with the health care and nutrition they need, we invest in the future potential of every child. When we put a meal in the belly and a book in the hand of a student, new dreams, aspirations and opportunities are born. When we help a community sustain its own school feeding program, then they have often worked out ways to increase overall food production. And when educating girls becomes valued by a community, then they inevitably marry later, have fewer, healthier children, and generate greater income for their own families.

The 9/11 Commission Report recommended significantly greater investment on the part of the United States in economic, social and development programs as a critical part of winning the war against terrorism. Our nation has not taken that recommendation to heart. I believe the McGovern-Dole represents America's very best values, and I urge the Committee to continue its support of this program and to authorize increased funding during consideration of the farm bill reauthorization.

Thank you, Mr. Chairman.

Congress of the United States
Washington, DC 20515

December 13, 2006

The Honorable George W. Bush
President of the United States
1600 Pennsylvania Avenue NW
Washington, D.C. 20500

Dear Mr. President:

We are writing to thank you for your support of the George McGovern-Robert Dole International Food for Education Program, which is administered by the U.S. Department of Agriculture. As Secretary of Agriculture Mike Johanns has attested, this program has made a critical difference in the lives of thousands of children and their communities around the world. We believe it is urgent to sustain and expand this program and to restore funding for the McGovern-Dole program to levels similar to those of the original pilot program. For these reasons, we strongly urge you to provide $300 million for the McGovern-Dole International Food for Education Program in your Fiscal Year 2008 Budget Proposal.

We recognize the difficult financial constraints that will govern your decisions as you determine priorities for the Fiscal Year 2008 budget. We believe increased funding to sustain and expand the McGovern-Dole program contributes to achieving U.S. priorities to increase food security and access to education among many of the world's most vulnerable children. It also plays a role in combating terrorism and building and consolidating democracy in the Middle East, southern Asia, the Near East and other regions critical to our national security.

As you well know, one of the recommendations of the 9/11 Commission Report stated that "a comprehensive strategy to counter terrorism must include economic policies that encourage development, more open societies, and opportunities for people to improve the lives of their families and to enhance prospects for their children's future," a priority you echoed in your remarks before the United Nations General Assembly in September. The McGovern-Dole program has a proven track record at reducing the incidence of hunger among school-age children and improving literacy and primary education enrollment, especially among girls, in areas devastated by conflict, hunger, poverty, HIV/AIDS, and the mistreatment and marginalization of girls. School meals, teacher training, and related support have helped boost school enrollment and academic performance. McGovern-Dole nutrition and school feeding programs improve the health and learning capacity of children both before they enter school and during the years of primary and elementary school.

With over 300 million children suffering from chronic hunger and over 120 million of them not attending school, reaching those who could benefit from the McGovern-Dole program requires a firm commitment to continued support and significant resources. At the same time, U.S. leadership and the success of the McGovern-Dole program have played an important role in encouraging other donor nations to provide new resources for school feeding programs, as well as promoting "best practices" among those organizations that carry out these programs in the field. And after just five short years, we are already witnessing how the success of the McGovern-Dole program has resulted in an increased commitment by local communities to

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school feeding and universal education, setting the stage for some country projects to "graduate" from the program and assume local administration of their school feeding programs.

For just a few cents a day, the McGovern-Dole program has made a critical difference in the lives of children and communities, promoted American values in the most positive terms, and helped achieve U.S. foreign policy and national security goals. The program's flexibility and ability to be tailored to local needs ensure that American products, commodities, and financial and technical support are directly associated with hunger alleviation, educational opportunity, and sustainable development. Few programs deliver so much for such a minimal investment.

Once again, we thank you for your commitment to the McGovern-Dole International Food for Education and Child Nutrition Program, and we strongly urge that you restore the capacity of this critically important program by providing $300 million for Fiscal Year 2008.

Sincerely,

Jerry Moran

Bipartisan Letter to President George W. Bush
Increase FY 2008 Funding for the George McGovern – Robert Dole International Food for Education and Child Nutrition Program (USDA)

List of Signatories (133):

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Major R. Owens (NY)
Donald M. Payne (NJ)
José E. Serrano (NY)
Maurice D. Hinchey (NY)
Elijah E. Cummings (MD)
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Daniel Lipinski (IL)
Anthony D. Weiner (NY)
Eleanor Holmes Norton (DC)

*Bill Summary & Status*
**H.R.1616**



**H.R.1616** [110th]

**Title:** To amend the Farm Security and Rural Investment Act of 2002 to reauthorize the McGovern-Dole International Food for Education and Child Nutrition Program, and for other purposes.
**Sponsor:** Rep McGovern, James P. [D-MA-3] (introduced 3/21/2007) **Cosponsors:** 111
**Committees:** House Agriculture; House Foreign Affairs
**Related Bills:** S.946
**Latest Major Action:** 3/21/2007 Referred to House committee. Status: Referred to the Committee on Agriculture, and in addition to the Committee on Foreign Affairs, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

**COSPONSORS, ALPHABETICAL** [* = original cosponsor]: (Change sort: by date, by party)
Cosponsor Statistics: 111 current (includes 71 original)

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Rep Arcuri, Michael A. [D-NY-24] - 3/29/2007
Rep Bishop, Sanford D., Jr. [D-GA-2] - 3/21/2007 *
Rep Boswell, Leonard L. [D-IA-3] - 3/23/2007
Rep Boustany, Charles W., Jr. [R-LA-7] - 3/21/2007 *
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Rep Butterfield, G. K. [D-NC-1] - 3/21/2007 *
Rep Capuano, Michael E. [D-MA-8] - 3/29/2007
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Rep Wexler, Robert [D-FL-19] - 3/21/2007 *

Mr. MCINTYRE. Thank you very much, Mr. McGovern.
Ms. Emerson.

**STATEMENT OF HON. JO ANN EMERSON, A MEMBER OF CONGRESS FROM MISSOURI**

Ms. EMERSON. Thank you, Mr. Chairman. Let me thank all of you for being here today and for allowing Jim and I to speak to you all.

I first want to commend Congressman McGovern for the incredible leadership he has shown on the issue of hunger, both here in the Congress and even in his previous life before coming to the Congress, and that is very obvious from the trips that he has made and the things he does each and every day. I am proud to be able to cosponsor this bill with him and to prevail upon you all to understand that, with more than 300 million hungry children in the world, providing enough food aid is really a daunting challenge.

Let me also say just briefly, I want to submit my formal remarks for the record because I can't do them in 5 minutes.

Mr. MCINTYRE. Yes, ma'am.

Ms. EMERSON. I also want to acknowledge that we have special mentors in this endeavor with Senator George McGovern and Senator Bob Dole, who have been just eloquent advocates for ending hunger and they have provided nudges of conscience all along the way—reminding us in government of our moral responsibility as a country which is rich in natural resources and which has an abundant, safe food supply in order to help people who can't help themselves. They really deserve so much of the credit for encouraging us and so many of our colleagues.

Since Jim has really outlined everything, let me just say that I think that the McGovern-Dole food program takes on this whole issue of hunger in a very unique way—not only putting food in the bellies of children who need nutrition all over the world, but by virtue of bringing these children into a classroom setting we are nourishing not only their bodies but their minds, and this is so critical.

I also want to mention that I had the opportunity to visit one of these programs this past summer in Nicaragua. Most of these programs, not all but most, often sustain themselves after the McGovern-Dole Program ends. It doesn't last forever, but we try to turn the programs over to private voluntary organizations, NGOs and the like, and/or local governments even take them over and this is important for everybody to know. There are too many people and too many needs for our programs to stay forever and ever. We want to get the program started and then move it off into the private sector.

These international programs I think, and I reiterate what Jim says, are so very important to us here at home because not only are we changing the lives of families in far-off places, we are changing the minds of the person on the street in countries where America has a less than stellar reputation in many cases, and I believe—and I know Jim does too—and I believe all of you believe that education and humanitarian aid are two of the very best ways we can uproot terrorism around the world and we shouldn't overlook the power of a bag of food that says "gift of the people of the United States of America" to accomplish that goal. So I want to

thank you all so much for allowing us to speak to you today and hope that you understood just like we do how important this program is to feeding or beginning to help the 300 million hungry children around the world.

Thank you.

[The prepared statement of Ms. Emerson follows:]

PREPARED STATEMENT OF HON. JO ANN EMERSON, A REPRESENTATIVE IN CONGRESS FROM MISSOURI

Mr. Chairman and Members of the Committee, I want to thank you for the opportunity to appear here today and discuss the George McGovern-Robert Dole International Food for Education and Child Nutrition Program.

I would like to stress that there is a clear need for the McGovern-Dole International Food for Education and Child Nutrition Program. There are 300 million school aged, children around the world who suffer from hunger. Of these children, an estimated 120 million do not attend school. Food for Education is just what it sounds like: a unique program to simultaneously improve nutrition and education by providing students with a nutritious meal or take home rations. The McGovern-Dole Program, ably administered by the U.S. Department of Agriculture, donates agriculture commodities and provides financial and technical assistance to governments, intergovernmental organizations, and PVOs, who do a wonderful job identifying and reaching out to those in need.

While schools are an excellent location for reaching hungry students, they are more than merely a way to ensure school-age children receive nutritional assistance. By providing assistance through schools, the McGovern-Dole Program increases enrollment, increases the students' ability to learn and, ultimately, increases the opportunities available to our greatest resources—children.

Mr. Chairman, we know hunger affects learning. Hungry students often do not attend school, they are needed at home to help produce food or earn money to purchase it. Those hungry individuals who do make it to school often have trouble concentrating on lessons if they are hungry. Learning, conversely, has an opposite effect on hunger. Education allows children to acquire the skills needed to address hunger at their young stage of life and in the future. School attendance brings a desire to learn and openness to new ideas. Studies have also shown that as enrollment increases for girls, stunting in children under 5 years old decreases. Among the McGovern-Dole Program's greatest successes has been increasing school enrollment among girls.

If these reasons alone did not make a compelling argument for the McGovern-Dole Program, it is also widely recognized that such programs add to our national security. At present there are 12,000 madrassas in Pakistan. These madrassas provide free food and lodging to students; however, a few also get involved in militancy and, ultimately, terrorism. But the question Pervez Musharraf is left with is, "who else can provide food for these children?"

This legislation, quite frankly, is a win-win for the American people, and it is a win-win for children all over the world who desperately need food assistance and an education. We all know, very well, that our country is currently engaged in daily battles with individuals who want to harm Americans. However, we are also engaged in daily battles for the hearts and minds of the "man on the street" in underdeveloped countries. In this battle, the McGovern-Dole International Food for Education and Child Nutrition program holds great potential.

These are the reasons the McGovern-Dole Program is needed, however, the support for this program is not just based on need; it is also based on results. For FY 2006 the McGovern Dole Program has exceeded USDA goals for the number of children receiving daily meals or take-home rations. The McGovern-Dole Program was initiated in 2000 as a $300 million pilot program, the Global Food for Education Initiative. From 2001 to 2003 the GFEI fed nearly seven million children through 48 projects in 38 countries. During the 2002 Farm Bill reauthorization process, the GFEI was established as a permanent program and renamed to honor Senator George McGovern and Senator Robert Dole.

The renamed program, however, immediately experienced a funding decline from the $300 million provided for the pilot program. H.R. 1616, legislation introduced by Mr. McGovern and me, which now has 109 other bipartisan cosponsors, would return us to the $300 million mark in FY 2012.

I would be remiss if I failed to mention the dedication and commitment of former Senators McGovern and Dole. These distinguished leaders have been eloquent advo-

cates for ending hunger and have provided nudges of conscience reminding us in government of our moral responsibility as a country rich in natural resources and an abundant, safe food supply to help people who cannot help themselves.

Another of the successes inherent in this program is the requirement of graduation. When USDA enters into an agreement with an eligible organization to provide food aid assistance in schools, the agreement must include provisions to continue the benefits to education and nutrition after the commodities stop flowing from USDA. By providing a mandatory funding source Congress could ensure a more reliable funding stream, sending a message or strong, continuing support to beneficiaries in need and to partner governments and organizations that our commitment is real. I believe this, more stable funding, would also allow USDA to increase the number of multi-year commitments made.

Mr. Chairman, in closing, the McGovern-Dole International Food for Education and Child Nutrition Program reflects the humanitarian values Americans share. It reflects the value Americans place on an education—regardless of sex or race. The program utilizes American resources, benefits the American economy, and it makes us safer from the enemies of the American people who hope their message of intolerant hatred fuels a self-fulfilling response from our great nation. As this Committee moves forward with the important work of drafting a farm bill, I hope you will give every consideration to reauthorizing this important program and expanding it. Thank you.

Mr. MCINTYRE. Thank you, and thanks to both of you for the moral imperative that you have given us not only in the Subcommittee and full Committee but also as fellow Members of Congress, and thank you all for being an encouragement and also for your exhortation. I think both are well received that we do as just mentioned—look at the educational benefits and the humanitarian concerns and ultimately look at the ministry of a bag of food as you so eloquently described.

With that, I am happy to let you all make any other comment. Both of you finished under 5 minutes, so if there is anything else you want to add? I know you have other things and we will let you slip on out if you need to, but is there anything else either one of you would like to say?

Mr. MCGOVERN. If I could ask unanimous consent to insert my longer testimony into the record.

Mr. MCINTYRE. So ordered.

Mr. MCGOVERN. And again, I would like to associate myself with the remarks of my colleague, Jo Ann Emerson, especially on the issue, too, of the value in terms of America's prestige around the world of this program. When I was in Colombia, I had a young mother come up to me and say, "Please thank the people of the United States for this program," she said, "because without this program, my son, who is 12 years old, would probably be a member of one of the armed groups, either the left-wing [Revolutionary Armed Forces of Colombia] (FARC) or the right-wing paramilitary because those groups go through and they look for child soldiers." This mother said that without this program she couldn't provide her son a meal on a daily basis. With this program, she provides her son a meal on a daily basis in a school setting. She said on top of being fed, he can maybe become literate and get out of this slum. So, this is an incredibly powerful tool in terms of showing the best of the United States, and I also agree with Jo Ann that in terms of combating terrorism, this is the kind of program that I think we should be endorsing wholeheartedly. Thank you.

Mr. MCINTYRE. Yes, ma'am.

Ms. EMERSON. Thanks, Mr. Chairman. You know, when I was in Nicaragua last summer I was in the rural area. I don't know ex-

actly where, about an hour and a half outside Managua, in this rural village, if you want to call it a village, because people's homes were made out of black plastic trash bags the, kind that we use to take our trash out. There had been a McGovern-Dole feeding program there that we had transferred over to a private organization and suddenly you saw children at a school setting. The Japanese Government actually built the school where the kids that were—this is how it all started with the governments. The kids were in school, they had uniforms that had been donated by some other organization, but they only still had that one meal every single day, and in this case it was maize or corn and soy kind of chopped up like it would be hamburger, and beans and a little tiny piece of tortilla but yet all of them came together and we had teachers. It was fascinating to see probably the 5th and 6th graders teaching the 1st graders and the kindergartners and the high school kids were teaching the 5th and 6th graders. There were a few private teachers, but there were incentives provided for these children to actually get scholarships because you have to pay for public high school in Nicaragua. It was just amazing that these people's lives had gone from living in trash bag houses to then having schools—all of which started with the McGovern-Dole food feeding program. There was hope in the eyes of every single person, the parents and the kids, and it was just remarkable. And so I just say that, and Jim of course, has been to Africa and Colombia and the like and just to see what the power of our American commodities can do, it speaks for itself.

Mr. MCINTYRE. Very eloquent, very well spoken, and I believe as I mentioned the moral imperative that you have given us not only speaks to the heart and speaks to the mind but also speaks to some of the other issues. Also, I can tell you as a Member of the Armed Services Committee, I think you are exactly right about how it removes those seeds that are sown with regard to potential terrorism and the other things that are the end result when we don't pay attention early on in a child's life, so thank you all very much. You all have a good afternoon and God bless you. We will call our next panel forward. Thank you again.

We would like to welcome our second panel to the table, Administrator Michael Yost, Foreign Agriculture Service of the USDA, and Mr. William Hammink, Director of the Office of Food for Peace, U.S. Agency for International Development, also here in Washington. As our witnesses take their seats, Mrs. Musgrave, would there be any special comment you would like to make in conclusion of the first panel or with regard to the beginning of the second panel?

Ms. MUSGRAVE. No, I am ready to go. Thank you, Mr. Chairman.

Mr. MCINTYRE. All right. With that then, we will begin. Mr. Yost, please begin.

**STATEMENT OF MICHAEL W. YOST, ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.**

Mr. YOST. Mr. Chairman, Members of the Committee, I am pleased to testify today with my colleague from U.S. Agency for International Development, William Hammink. I welcome the op-

portunity to discuss the trade and food aid programs administered by the United States Department of Agriculture.

The trade programs administered by the Foreign Agricultural Service combined with access gained through free trade agreements have served to expand markets for U.S. agricultural products. Demand for U.S. food and agricultural products is higher than ever. Earlier this month USDA raised its export forecast to a record $78 billion for Fiscal Year 2007. Free trade agreements have proven to be good for U.S. agriculture. Under NAFTA, agricultural exports to Canada and Mexico have risen from $9.5 billion to $22 billion annually. Agricultural exports to the CAFTA DR countries totaled $2.6 billion in 2006, an increase of 18 percent from 2005. Last month we concluded negotiations with South Korea on the most commercially significant free trade agreement in 15 years. Korea is projected to import over $3 billion of U.S. agricultural products during Fiscal Year 2007 and almost ⅔ of the current U.S. farm exports to Korea will become duty-free on the first day that the FTA is implemented.

Today I would like to highlight two trade programs administered by FAS, the Market Access Program, MAP, and the Technical Assistance for Specialty Crops Program, TASC. MAP forms a partnership between USDA and nonprofit U.S. agricultural trade associations, U.S. agriculture cooperatives, nonprofit state and regional trade groups and small businesses. In 2006, MAP was used to find new products for markets for poultry products in Mexican supermarkets, to expand wheat markets in Nigeria and to re-launch U.S. beef sales in Japan. Our farm bill proposal recommends increasing MAP funding from $200 million to $225 million annually. USDA will allocate this additional funding to help address the imbalance between farm bill program crops and non-program commodities.

The TASC program has helped U.S. exporters regain market access for millions of dollars of products by addressing sanitary, phytosanitary, and technical barriers. The Administration's 2007 Farm Bill proposals will increase mandatory funding for the TASC grant program at the rate of $2 million per year up to a total of $10 million for Fiscal Year 2011 and beyond. In recent years, TASC funding has been used to gain market access for California nectarines in Japan, harmonize organic standards with Canada and the European Union, and create a database of pesticide tolerance levels and standards for more than 300 specialty crops in more than 70 countries.

To complement the TASC program, the Administration's 2007 Farm Bill proposals will include a new grant program focused on SPS issues and supported by $2 million in annual mandatory funding. This additional funding will allow us to better address phytosanitary and sanitary issues for all agriculture commodities.

Now I would like to turn to two of our developmental food aid programs, the Food for Progress and the McGovern-Dole Program. During Fiscal Year 2006, the Food for Progress program provided more than 215,000 metric tons of agricultural commodities valued at $175 million to 19 developing countries and emerging democracies committed to introducing and expanding free enterprise in the agricultural sector. Again this year more than 215,000 tons of commodities will be provided. More than two million people in Af-

ghanistan, throughout Africa and Central America will be fed by this program this fiscal year. The program is more than about feeding. For example, in Madagascar, proceeds from the wheat sales are providing micro-finance loans to farmers.

The McGovern-Dole Program, I can't add too much to what Congressman McGovern and Congresswoman Emerson said. The only thing I would like to add is that I too visited a food aid project in Kenya, and if I could sum up the need and the results of the program in one word, I would just say it is compelling. We appreciate the strong support this program has received from Members of Congress.

In conclusion, as Administrator of the USDA's Foreign Agricultural Service, I am proud of our efforts to improve the foreign market access for U.S. products, the help we do in building new markets, improving the competitive position of U.S. agriculture in the global marketplace, and to provide food aid and the technical assistance to foreign countries.

This concludes my statement.

[The prepared statement of Mr. Yost follows:]

STATEMENT OF MICHAEL W. YOST, ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman, Members of the Subcommittee, I am pleased to appear before you today. I welcome the opportunity to discuss the trade and food aid programs administered by the U.S. Department of Agriculture (USDA).

**Introduction**

Since the last farm bill was enacted in 2002, the trade programs administered by the Foreign Agricultural Service (FAS) have served to open new markets and maintain and expand existing markets for U.S. agricultural products. These programs complement our efforts to open and maintain markets through trade negotiations, diplomacy, and enforcement of trade agreements. To ensure that agricultural interests are well represented at the negotiating table, FAS works closely with the Office of the U.S. Trade Representative (USTR) and coordinates the involvement of USDA regulatory agencies.

During the past year and a half, the United States successfully concluded trade agreements with Colombia, Panama, and Peru that provide greater market access for all U.S. agricultural products. Last month, we concluded negotiations with South Korea on the most commercially significant free trade agreement in 15 years. Korea is projected to already import over $3 billion of U.S. agricultural products during Fiscal Year 2007 and almost ⅔ of current U.S. farm exports to Korea will become duty-free on the first day of implementation of the new FTA.

Together, our trade programs and negotiations have contributed to a strong farm economy and increasing foreign demand for U.S. food and agricultural products. Trade continues to be critically important to the long-term economic health and prosperity of the American food and agricultural sector. Roughly 20–25 percent of U.S. production is exported and, with productivity increasing faster than domestic demand, export markets are important, particularly markets with a burgeoning middle class such as China, India, Indonesia and Brazil.

The latest USDA export forecast of $78 billion for Fiscal Year 2007 proves this point. This means the agricultural community is on track to increase exports by an estimated $9.3 billion over last year. That would be the second largest increase on record and the fourth consecutive year of record exports. USDA estimates that U.S. world market share is over 19 percent—almost ⅕—of world agricultural trade. This is particularly impressive when you consider that the size of the world agricultural trade pie has doubled since 1990.

However, if we are to continue these impressive gains, we cannot rest on our accomplishments. We must continue to expand access to overseas markets, where 95 percent of the world's consumers live. We must continue to refine and improve our longstanding programs to ensure that they operate efficiently and effectively.

The Administration's farm bill proposals were crafted to strengthen U.S. agriculture's competitive position, while meeting our international obligations. The farm bill proposals are not only good farm policy, but good trade policy. They are predict-

able, equitable, and designed to withstand challenges from other countries. We appreciate Congress' serious consideration of the proposals as Congress writes the 2007 Farm Bill.

**Trade Programs**

*Market Access Program*

The Department's largest market development program is the Market Access Program (MAP), for which funding expires at the end of 2007. This program uses funds from the Commodity Credit Corporation (CCC) to create, maintain, and expand long-term export markets for U.S. agricultural products.

USDA's farm bill proposals recommend increasing MAP funding from $200 million to $225 million annually. USDA will apportion the additional funding to help address the imbalance between program crops and non-program commodities. MAP forms a partnership between USDA and nonprofit U.S. agricultural trade associations, U.S. agricultural cooperatives, nonprofit state-regional trade groups, and small U.S. businesses to share the costs of overseas marketing and promotional activities such as consumer promotions, market research, trade shows, and trade servicing.

I would like to share an example of a MAP success story from my home State of Minnesota. Sunrich, a producer and exporter of soy food ingredients, has used the MAP program to sharply expand its international sales. The company has gone from having a single overseas market to selling in Japan, Korea, Spain, France, Germany, Indonesia, Australia, New Zealand, and Israel. Exports now generate several million dollars in sales for Sunrich. The Market Access Program has helped them do market research, produce targeted promotional materials, ship samples, and provide technical support to potential buyers overseas.

*Technical Assistance for Specialty Crops*

As our exports have grown, some of our trade partners have increasingly turned to sanitary, phytosanitary, and technical barriers to protect their domestic industries and deny market access to U.S. agricultural products rather than basing these policies on science. USDA has successfully helped U.S. exporters regain market access for millions of dollars of products from almonds to spinach. To continue to enhance efforts, the Administration's 2007 Farm Bill proposals would expand mandatory funding for the Technical Assistance for Specialty Crops (TASC) grant program, which is currently funded at $2 million per year, by an additional $2 million annually up to $10 million for Fiscal Year 2011 and beyond.

TASC projects assist U.S. food and agricultural organizations to address phytosanitary and technical barriers that prohibit or threaten the export of U.S. specialty crops. The program has proven to be very effective in providing support for specialty crop exports. In recent years, TASC funding has been used to gain market access for California nectarines in Japan, harmonize organic standards with Canada and the EU, and create a database of pesticide tolerance levels and standards for more than 300 specialty crops in more than 70 countries. In 2006, USDA funded 26 TASC projects.

*Grant Program To Address SPS Issues*

To complement the successes and popularity of the TASC program, the Administration's 2007 Farm Bill proposals include a new grant program focused on sanitary and phytosanitary issues for other non-specialty crop commodities. This new program would provide $2 million in annual assistance through mandatory funding. Like the TASC program, this assistance could provide U.S. exporters with information on compounds restricted by other countries and improve other countries' understanding of U.S. safety standards and testing methodologies. It also would enable us to tap targeted technical expertise on an ad-hoc basis for non-specialty crop commodities.

*Technical Assistance To Resolve Trade Disputes*

For small agricultural producers and industries, defending their products against inappropriate trade restricting measures such as counterfeit labeling, copyright infringement, unfair administration of tariff-rate quotas (TRQs) and other barriers to trade is a complex, lengthy, and time-consuming process. While U.S. industries can pursue unfair trade practices through U.S. trade laws or initiate a case in the World Trade Organization (WTO), industries must pay high legal and analytical costs for extended periods of time-sometimes years. This is particularly challenging for limited resource agriculture industries. Conversely, some U.S. agricultural sectors have themselves been challenged either in the WTO or under other countries' domestic trade laws. USDA, working closely with USTR, helps industries that have been

challenged. The Administration is requesting that the Secretary of Agriculture be granted broad discretionary authority to provide limited resource groups with enhanced monitoring, analytical support, and technical assistance if he or she deems it would be beneficial to U.S. agricultural exports.

*International Trade Standard Setting Activities*

USDA works closely with international standard-setting bodies, such as the Codex Alimentarius, the International Plant Protection Convention, and the World Animal Health Organization, to establish and harmonize multilateral food, plant, and animal health and safety standards. By assigning U.S. staff to work with these organizations, we have a say in their decision-making process and ensure that they design and implement standards for trade in agricultural products that are science-based and recognize U.S. health and safety standards.

The United Nations Food and Agriculture Organization (FAO) works with member governments to place their nationals in FAO staff positions. However, the United States lacks sufficient funding to place adequate numbers of Americans in these positions. For example, out of approximately 100 positions in the FAO's associate professional officer program, European countries fund about 83 positions for their nationals, while the United States currently only funds one American.

As a result, the EU is in a better position to influence international organizations' policies and programs than we are. USDA needs dedicated funding to strengthen U.S. representation in these organizations. In addition, we are having difficulty hiring seasoned, director-level staff to represent the United States in these organizations because we do not have the funds or the authority to pay salaries and allowances commensurate with those received by international organization employees. For these reasons, the Administration's 2007 Farm Bill proposals request long-term mandatory funding of $15 million over 10 years to enhance our ability to assign USDA staff support for international trade standard-setting bodies.

**Trade Capacity Building**

Before developing countries can become reliable customers for U.S. agricultural products, they must first become politically, economically, and socially stable. President Bush's National Security Strategy recognizes that a lack of economic development, particularly in fragile and strategic countries and regions, results in economic and political instability which can pose a national security threat to the United States. A productive and sustainable agricultural sector is a critical factor in creating stability. Only then can these countries and regions integrate into the global economy and reduce hunger and poverty.

USDA works to develop the capacity of local governments in politically stable, but fragile economies to support market-based agriculture. We have provided technical assistance and trade capacity building in markets such as Georgia, Armenia, Kenya, Uganda, and Pakistan so they can harness the power of trade and create open and predictable policies and procedures to boost economic growth and reduce poverty.

In recent years, USDA has worked with the Department of State, the Department of Defense, the U.S. Agency for International Development, and the National Security Council to assist in the reconstruction and stabilization of Afghanistan and Iraq. Revitalization of these two countries' agricultural sectors is essential to their development and stability. USDA is conducting trade capacity building and technical assistance activities in Iraq, including a $7.8 million agricultural extension project in conjunction with the U.S. Department of State, and marketing education efforts in partnership with U.S. commodity groups.

The Administration's 2007 Farm Bill proposals provide $2 million annually in mandatory funding for agriculture trade capacity building for fragile countries and regions by improving food safety, supporting agricultural extension projects, agricultural knowledge initiatives, and building bilateral partnerships.

**Food Aid Programs**

In addition to this trade capacity building assistance, USDA administers three food aid programs that support economic development in countries needing assistance to get on their feet or needing help in a crisis or emergency—the Food for Progress Program, the McGovern-Dole International Food for Education and Child Nutrition Program, and the Public Law 480, Title I (P.L. 480, Title I) Program. These programs support international assistance and development activities that alleviate hunger and improve nutrition, education, and agriculture in some of the world's poorest countries. Through the provision of agricultural commodities, we are able to feed millions.

*Food for Progress Program*

During the past 2 decades, the Food for Progress Program has supplied over 12 million metric tons of commodities to developing countries and emerging democracies committed to introducing and expanding free enterprise in the agricultural sector. Commodity purchases totaling nearly $3 billion over this period for Food for Progress programming have been handled through the Commodity Credit Corporation (CCC).

Under this program, during Fiscal Year 2006, the United States provided more than 215,000 metric tons of CCC-funded commodities valued at about $77 million. This effort supported 19 developing countries that were making commitments to introduce or expand free enterprise elements in their agricultural sectors. Again this year, more than 215,000 metric tons of commodities will be provided. More than two million people in 11 countries, including Afghanistan and countries throughout Africa and Central America will be fed by this program this fiscal year. In Fiscal Year 2008, the President's budget includes an estimated program level of $163 million for Food for Progress grant agreements carried out with CCC funds.

*McGovern-Dole Program*

Another highly successful program is the McGovern-Dole International Food for Education and Child Nutrition Program, which helps support education, child development, and food security in low-income, food-deficit countries that are committed to universal education.

This year, we will feed nearly 2.5 million women and children in 15 developing countries, including Cambodia, Guatemala, and Malawi, with the $99 million appropriated funding level. We appreciate the strong support this program has received from Members of Congress. In Fiscal Year 2008, we are requesting $100 million for the McGovern-Dole Program. This amount will be supplemented by an estimated $8 million to be received from the Maritime Administration for cargo preference reimbursements.

In the last 5 years, the McGovern-Dole Program has helped feed more than 10 million children in more than 40 countries. Last year, USDA awarded Counterpart International (CPI) a grant to provide more than 9,000 tons of commodities for use in Senegal. This McGovern-Dole project is using vegetable oil, textured soy-protein, and barley to feed nearly 18,000 primary school children and 1,800 pre-school children over a 3 year period. The proceeds from the sale of soybean oil are being used to improve school sanitation, repair schools, and improve the skills of teachers. The project includes a maternal and child health component, which provides take-home rations to needy mothers with young children. It also provides a growth monitoring and promotion program, along with a health education and assistance campaign. The leader of one of the villages in which the school feeding project is being conducted told the visiting U.S. Ambassador to Senegal that, "We have already seen immediate results from this program as students are able to stay in school longer and learn more each day." This McGovern-Dole school feeding program provides hot daily meals to students, permitting them to remain in the classroom and learn for longer periods.

The multi year dimension of this program is essential to addressing comprehensively the issue of chronic hunger. Moreover, providing meals both at school and through take-home rations provides a powerful incentive for children to remain in school. Government-to-government partnerships coupled with the important resources provided by the private voluntary organizations (PVOs) are vital to sustaining these programs and ensuring success.

*P.L. 480, Title I Program*

Historically, the P.L. 480, Title I program has been geared primarily toward countries with a shortage of foreign exchange and difficulty in meeting their food needs through commercial channels. Assistance has been provided on a government-to-government basis by selling U.S. agricultural commodities on credit terms. In recent years, the demand for food assistance using credit financing has fallen, mostly because worldwide commercial interest rates have been relatively low. For example, in 2006 we signed only three government-to-government credit agreements compared to seven in 2002. As recently as 1993, 22 Title I agreements were signed, but the number has steadily declined over the past 14 years. We are not requesting any additional funding for P.L. 480, Title I for 2008. The budget recommends that all P.L. 480 assistance be provided through Title II donations.

*Bill Emerson Humanitarian Trust*

USDA also manages the Bill Emerson Humanitarian Trust, which serves as a backstop commodity reserve for the P.L. 480 program. This reserve is available to

provide emergency humanitarian food assistance to developing countries, allowing the United States to respond to unanticipated food crises with U.S. commodities. We currently have 915,000 metric tons of wheat in the Trust and $107 million in cash. Cash in the Trust provides the flexibility we need to purchase appropriate U.S. commodities based on availability and the specific need. With commodities in the Trust, we must pay storage costs. Holding the 915,000 metric tons of wheat in the Trust is costing more than $9 million each year or about $10 per ton. Cash in the Trust also allows us to respond much more quickly to a food crisis because we can easily purchase U.S. commodities, whereas substituting what we have in the Trust for what we need to provide consumes precious time.

*Upcoming Issues*

This year, several food assistance issues will come to the forefront in the domestic and international arenas. USDA chairs the Food Assistance Policy Council, which includes senior representatives from USAID, the Department of State, and the Office of Management and Budget. Over the years, this group has made significant progress in ensuring policy coordination of food assistance programs under the Agricultural Trade Development and Assistance Act and the Food for Progress Act. The Council recently identified key issues to receive attention this year: food aid quality, the Administration's 2007 Farm Bill proposals, and the challenges facing food aid policy in the WTO.

For more than 40 years, USDA and USAID have provided micro-nutrient fortified food commodities to vulnerable, food-insecure populations. We are proud of our record in feeding at-risk recipients of U.S. food aid around the world. However, in recognition that both the science of nutrition and the nature of recipient populations have changed over time, we are examining whether current food aid formulations and product manufacturing practices address the needs of at-risk recipients and reflect the best available science.

Toward that end, our initiative includes an in-depth review of the types and quality of food products used in the administration of U.S. food aid programs. We seek recommendations of what changes, if any, should be made to the composition and mix of our commodities. The project also continues our efforts to review existing contract specifications used to obtain food aid commodities, and to improve our post-production commodity sampling and testing regime based upon sound scientific standards. All three parts of the project were announced formally in April at the International Food Aid Conference.

USDA and USAID agree on a division of labor for the project. We have identified funding. Our respective Requests for Information have been published to identify available, independent expertise. Our goal is to consult with many stakeholders in food aid, including nutritionists, scientists, commodity associations, the World Food Program, and the private voluntary organization (PVO) community, to make sure all viewpoints are heard. We want to ensure that the food aid we provide in the next 40 years is of the highest caliber to meet the nutritional requirements necessary to address chronic hunger.

The Administration's farm bill proposals include a recommendation that will provide flexibility in providing food aid when rapid response is critical to saving lives. The proposal would authorize use of up to 25 percent of P.L. 480, Title II, annual funds for the local or regional purchase of food to assist people threatened by a food security crisis.

This authority would enable U.S. assistance to be more effective and more efficient. The authority would be used in those instances where the rapid use of cash for local or regional procurement is critical to saving lives in response to an emergency. The intention is not to change the way the United States meets most food aid needs, but rather to enhance the variety of tools at our disposal to address food emergencies. This authority will provide the ability to purchase food near the scene of a crisis instead of taking the additional time that it can take to load and ship the aid from the United States. As Secretary Johanns has said, we do not anticipate opting for local purchases often—only when we believe that it is essential to deliver aid in the timeframe that it is needed. As I mentioned, our proposal would allow us to use no more than 25 percent of total Title II annual funding. U.S.-grown food will continue to play the primary role and will be the first choice in meeting global needs. We simply ask for every available tool to save lives.

As you are aware, food aid is a subject of discussion in the WTO negotiations. In the negotiations, the United States continues to strongly defend our ability to use in-kind food aid in emergency and non-emergency situations. Emergency food aid should not be disciplined because flexibility must be maintained to respond to people in crisis. Non-emergency food aid should only be disciplined to ensure that it

does not displace commercial sales. Cash and in-kind food aid should be treated equally in operational disciplines and transparency provisions.

A variety of programming options must remain available to ensure that food aid programs can be tailored to local needs and that sales do not disrupt local markets or displace commercial imports. The monetization of food aid to generate funds for supporting projects that result in increased economic activity and thereby directly confront poverty should continue. As the United States has repeatedly stated in these negotiations, we seek to help lift poor families out of poverty by helping governments design projects that are self-sustaining.

**Conclusion**

As Administrator of USDA's Foreign Agricultural Service, I am proud of our efforts to improve foreign market access for U.S. products, build new markets, improve the competitive position of U.S. agriculture in the global marketplace, and provide food aid and technical assistance to foreign countries.

I believe the 2007 Farm Bill Trade Title proposals will make U.S. farm policy more equitable, predictable, and better able to withstand challenge, while ensuring fairness and providing greater export opportunities to farmers, ranchers, and other stakeholders.

This concludes my statement. I look forward to answering any questions you may have. Thank you.

Mr. MCINTYRE. Thank you very much.

Mr. Hammink.

**STATEMENT OF WILLIAM HAMMINK, DIRECTOR, OFFICE OF FOOD FOR PEACE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID), WASHINGTON, D.C.**

Mr. HAMMINK. Mr. Chairman, Members of the Subcommittee, I am very pleased to be here today with you to examine the performance of U.S. Title II food aid programs that are managed by USAID. The Title II Food for Peace Program is a 53 year-old institution that has saved the lives of millions of people around the world. It is an institution that Americans across the country recognize and can be extremely proud of. The last 3 years we have averaged almost $1.8 billion including supplementals, and last year alone procured 2.3 million metric tons of food. It is a major indication of U.S. humanitarian assistance.

I would like to focus my remarks on two main areas. One, the changing world situation is affecting the Title II food aid context for emergency assistance, and two, how we can improve the overall efficiency and effectiveness of the Title II food aid program. The frequency, magnitude and unpredictability of major food crises are increasing due to growing chronic vulnerability. Over the last decade we have seen large population groups such as pastoralists in East Africa, poor farmers in the Sahel, and HIV/AIDS-affected populations in southern Africa whose lives and livelihoods are at severe risk. There is evidence and understanding that food aid alone will not stop hunger. Today, despite the investments and the progress made over the past 50 years, globally an estimated 850 million people are still food insecure. Giving food to people will save lives and address short-term hunger needs, but it will not by itself save livelihoods or end hunger.

How can we improve our food aid programs within that context? Food aid programs need to be able to respond quickly and flexibly with the growing number of emergencies to support increasingly more vulnerable and desperate populations, and very importantly, integrated with other resources to more effectively halt the loss of livelihoods and address the underlying causes of food insecurity.

Let me discuss a few areas where we are focusing to improve food aid programs. First, local procurement: The most important change that the Administration has been seeking in recent appropriation requests and in the Administration's farm bill proposal is the authority to use up to 25 percent of the Title II funds for the local or regional purchase of food to assist people threatened by a food crisis. Let me assure you that our U.S.-grown food will continue to play the primary role and will be the first choice in meeting global needs. If provided this authority by the Congress, we would plan to use local and regional purchase judiciously in those situations where fast delivery of food assistance is critical to saving lives.

Two, pre-positioning emergency food aid: To help reduce the response time needed, USAID has successfully pre-positioned processed food aid at U.S. ports and overseas. Pre-positioning is an important tool and could be expanded although there are logistical and other limits to pre-positioning food aid. However, pre-positioning is not in itself a substitute for local procurement authority.

Third, the Bill Emerson Humanitarian Trust: The Emerson Trust is the mechanism to respond to major food aid emergencies and clearly complements Title II. One concern is that the releases from the Trust have exceeded the statutory limit on its annual replenishment.

Fourth, prioritization: USAID is strategically focusing our non-emergency or development food aid resources in the most food insecure countries. Resources that were historically spread across 30 countries will be concentrated in about half that many countries to achieve maximum impact on chronic food insecurity issues.

Last, integration: Under the U.S. foreign assistance framework, USAID and the State Department are working to integrate all foreign assistance resources toward a number of objectives to set a given country on a sustainable path toward development. Starting with 2007 Title II funds, these Title II non-emergency programs will be integrated into country programs with other funds to achieve maximum impact.

The food aid programs are complex and the problems and issues that U.S. food aid must address are increasingly complex. USAID is committed to ensuring that Title II food aid is managed in the most efficient and effective manner possible to decrease costs, increase impact and continue the 53 years of proud experience. We look forward to continued discussions.

Thank you.

[The prepared statement of Mr. Hammink follows:]

PREPARED STATEMENT OF WILLIAM HAMMINK, DIRECTOR, OFFICE OF FOOD FOR PEACE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID), WASHINGTON, D.C.

Chairman McIntyre, Members of the Subcommittee, I am pleased to have the opportunity to meet with you today to examine the performance of U.S. food aid programs with particular reference to the 2007 Farm Bill discussions. As you know, USAID manages the P.L. 480 Title II program, which includes emergency and non-emergency food aid. The new farm bill, which will reauthorize the P.L. 480 Title II program, is extremely important to ensure the increased efficiency and effectiveness of U.S. Title II food aid overseas.

James Morris, the prior Executive Director of the United Nations World Food Programme (WFP), told me shortly before he left office that the Office of Food for Peace

is much more than an office in USAID. He said that after 52 years of providing U.S. food aid to hundreds of millions of people around the world, savings millions of lives and affecting the livelihoods of millions more, Food for Peace is not just an office but an institution, and one that Americans across the country recognize and can be extremely proud of.

However, like any 52 year institution or program, we need to continue to look for ways to improve the efficiency and effectiveness of how we provide Title II emergency and non-emergency food aid. We appreciate this opportunity to share some thoughts with you on ways to do that.

The U.S. plays a global leadership role in food security and as a humanitarian food aid donor. The U.S. is the largest food aid donor in the world, and the largest single contributor to the World Food Programme. However, procuring, shipping, storing, distributing, monitoring and evaluating approximately 2.5 million metric tons of U.S. food aid each year worth over $1 billion is highly complex, especially as we try to minimize costs. Our primary focus is to get food aid quickly to sudden emergencies to save lives, make better funding decisions, strengthen beneficiary impact of all of our food aid programs, improve predictability of non-emergency food aid resources, expand integration of food aid with other development programs, and concentrate emergency and non-emergency food aid resources in the most food-insecure countries.

As a lead-up to the re-authorization of the farm bill, food aid reform is being analyzed and discussed by academics and think tanks, at the World Trade Organization, with UN organizations such as FAO and WFP and with a broad spectrum of Private Voluntary Organizations (PVOs). We are participating in these discussions and listening closely to all of these proposals and ideas. Because the farm bill is only taken up approximately every 5 years, this is an important opportunity to take what we have learned from experience, analyses, and research; and to link lessons learned to better inform changes in U.S. food aid programs.

USAID is also undergoing changes. Under a new Strategic Framework for U.S. Foreign Assistance, the Department of State and USAID are developing a fully integrated process for foreign assistance policy, planning, budgeting and implementation. Under the new Framework, our goal is to ensure that Title II food aid will, in collaboration with all foreign assistance funds in each country context, have an immediate impact—saving lives and protecting livelihoods—while also contributing to longer term objectives, such as enhancing community and household resilience to shocks and reducing future emergency food aid needs.

In reviewing the performance of Title II food aid and considering the new farm bill, I would like to focus this discussion on two main areas: (1) the changing world situation and context for the Title II food aid program; and (2) how we can improve overall efficiency and effectiveness of Title II food aid programs within that new context.

**The Changing World Situation and Context for Food Aid**

Food aid does not exist within a vacuum. Rather, it addresses needs within an international and local economic and political context, and that context has substantially shifted in recent years. The new farm bill will provide us with an opportunity to address these changed conditions with a response that will not just prevent hunger and food crises as they occurred years ago, but as they exist now. To do that, food aid must address two major trends:

*First, the frequency and magnitude and unpredictability of major food crises are increasing due to growing chronic vulnerability.* Devastating wars, civil strife and natural disasters have often brought in their wake food problems. But over the last 5 to ten years, we have seen a significant increase in the numbers of people who are affected by these events, who face total destitution, a loss of household assets and livelihoods, and a chronic exposure to even the most minor of these shocks.

Take drought, for example. There have been droughts periodically for thousands of years. And while they have sometimes been deadly, the communities involved have generally been able to absorb that shock, restructure their livelihoods, and then begin to grow again.

But now, droughts in Africa appear to be more frequent. Where they used to come once every ten or twenty years, they have recently begun appearing several times in a ten year period, and more recently still, to possibly as little as every 2 or 3 years. With that level of frequency, a community's full recovery from a drought is difficult at best. In many cases, herders' animals die and the herder sells still more animals for food, further shrinking the herd. A farmer who loses his crop and food supply may sell his hoes and harrows for food, and then hope to find seed to begin again. Each successive drought may find many communities increasingly characterized by a deeper and more widespread poverty, deteriorating landscapes, drying

lakes and rivers, an ever poorer agricultural base, no market to sell to or buy from, hampered further by poor governance and governmental policies.

Over the last decade, we have seen large population groups—pastoralists in East Africa, poor farmers in the Sahel, HIV/AIDS-affected populations in southern Africa—whose lives and livelihoods are either disappearing, or are at severe risk of destruction. Continuous and overlapping crises can leave more and more people defenseless, chronically vulnerable to major food crises that may be triggered by small changes in rainfall, or food prices, or the rising cost of fuel.

Often, war or civil strife occurs within these same populations, or grows out of the conditions they live in. Entire generations in some countries have grown up in an atmosphere of extreme poverty overlaid by civil unrest, if not armed conflict. Portions of these conflict-ridden societies, like in Sudan and Somalia, subsist by receiving significant amounts of food aid and other humanitarian support to sustain their poor economies, perpetually disrupted by poverty, insecurity and war. In Sudan alone, WFP is supporting the food needs of almost two million internally displaced people (IDPs) in Darfur and another million people living near the IDP camps in Darfur who are affected by the crisis. To date, the U.S. has borne a disproportionate share of this food aid burden, providing about 475,000 metric tons per year for Sudan and Eastern Chad. Last year the U.S. contributed half of the assessed food aid needs and over 65 percent of all the food donated to Sudan.

*Second, there is evidence and understanding that food aid alone will not stop hunger.* Today, despite the investments and the progress made over the past 50 years, globally an estimated 850 million people are still food insecure. While providing food will feed people today, it will not, by itself, lead to sustainable improvements in the ability of people to feed themselves. Giving food to people will save lives and address short term hunger needs, but it will not save livelihoods or end hunger. In cases of widespread vulnerability, food aid must be used strategically, such as in a national safety net program, and planned along with other U.S., other donor and other recipient-country non-food development resources, to attack the underlying causes of food insecurity, such as lack of rural credit, markets, infrastructure and off-farm job opportunities; or environmental degradation, poor agricultural productivity, and poor governmental policies. The new U.S. Foreign Assistance Framework for foreign assistance will help. With respect to Title II non-emergency food aid programs, cooperating sponsors can monetize some of the food aid commodities that they receive and use the proceeds to implement activities that support the broader Title II food aid program.

**How Can We Improve Our Food Aid Programs Within That New Context?**

Emergency food aid needs are increasing and becoming less predictable, as conflict and natural disasters afflict and undermine the survival of a growing number of destitute and chronically food insecure people, who are often subsistence farmers, or herders and pastoralists. Because of this, food aid programs need to be adapted to these new conditions. They need to be able to respond more quickly to increasingly more vulnerable and desperate populations. They must be more effectively aimed at halting the loss of livelihoods that is the consequence of a series of even small shocks. And they must be combined with other U.S., other donor, and other recipient-country non-food development resources so that the multiple causes of vulnerability can be addressed together. Here are some areas where we are considering improvements to food aid implementation.

*Local Procurement:* First, the most important change that the Administration has been seeking in recent appropriation requests and in the Administration's farm bill proposals, is the authority to use up to 25 percent of the Title II funds for the local or regional purchase and distribution of food to assist people threatened by a food crisis.

The long lead-time required to order and deliver U.S. food aid—normally up to 4 months—means that we often need to make decisions well before needs are known. In some cases, the need is sudden, such as during a flood or an outbreak of fighting. In other cases, there is an unanticipated break in the flow of rations to beneficiaries (pipeline break), or even a short-lived cease fire allowing aid agencies to enter places previously inaccessible because of security issues where, typically, we find people that have been cut off from food for some time.

In the case of drought we are also challenged to get food to people on time. There have been great advances in the ability to predict and track rainfall, undertake post-rain harvest assessments, and follow changing prices, resulting in better early warning. While we can often predict the impact of poor rains on crops, it is difficult to predict its impact on the ability of people to purchase enough food to eat. In the Sahel in 2005, for example, merely below-average rains and a marginally weak harvest, known well in advance, resulted in an unexpected major crisis because these

conditions were compounded by unpredictable changes in trade flows among neighboring countries. This drew food away from regions with very poor populations, causing price spikes and an urgent need for food aid.

While it is impossible to predict the location and extent of emergencies that would require local procurement each year, the Administration might have considered using this authority for the immediate response to Iraq in 2003, to the Asian tsunami in 2004, in southern Africa and Niger in 2005, in Lebanon in 2006 and in East Africa in 2006 and 2007. We anticipate that purchases would occur in developing countries (in accordance with the OECD Development Assistance Committee List of Official Development Assistance recipients).

Let me assure you that our U.S-grown food will continue to play the primary role and will be the first choice in meeting global needs. If provided this authority by the Congress, we would plan to use local and regional purchases judiciously, in those situations where fast delivery of food assistance is critical to saving lives.

We ask that you seriously consider our proposal and the critical role this authority could play in saving lives of the most vulnerable populations. We are willing to work with you to address your concerns in order to move forward to provide for urgent needs.

*Strengthening Assessments:* Accurate assessments and well-targeted use of food aid are critical for responsible food aid. USAID is therefore giving considerable ongoing attention to working with the WFP and partner PVOs to assist them in strengthening emergency food needs assessment and response systems and capabilities. Specifically, USAID is actively involved with other donors in providing guidance to WFP at the Executive Board on policy and program topics related to emergencies, providing technical and advisory input to the UN "Strengthening Emergency Needs Assessment Capacity" (SENAC) activity, and providing resources to strengthen the assessment capacities of P.L. 480 Title II partner non-governmental organizations. USAID fully supports the GAO recommendation to enhance needs assessment methodologies and donor and host government collaboration; and can use and is using WFP, SENAC, the USAID Famine Early Warning System (FEWSNET) and other mechanisms to do so.

*Pre-positioning Emergency Food Aid:* To help reduce the response time needed, for many years, USAID has pre-positioned processed food aid, both at U.S. ports and overseas. These efforts have been very successful. Pre-positioning processed food in warehouses not far from major emergency areas allows us to get this food to the beneficiaries at risk of starvation faster. Over 60% of the processed food sent to the pre-position sites overseas is redirected at an additional cost to meet unanticipated emergency needs and never makes it to the pre-position warehouses. While pre-positioning could usefully be expanded, the current farm bill has a ceiling on how much can be spent on pre-positioning. There are also significant logistical and other limits to pre-positioning food aid. For example, processed foods are the main commodities that can be successfully stored near emergencies. In addition, there are severe limits to the availability, cost, and quality of warehouse space and services near major emergencies, and problems certifying the condition of food withdrawn from these warehouses. Consistent with the GAO recommendation, we will examine the long-term costs and benefits of pre-positioning. But, while we want to expand pre-positioning, we do not expect to be able to do much more than we are currently. To be clear, pre-positioning is not a substitute for local procurement authority, particularly given the logistical limits to pre-positioning with respect to the amount and types of commodities that can be stored, as well as speed.

*Bill Emerson Humanitarian Trust:* The Administration needs to ensure that it responds appropriately to major food aid emergencies. The primary means of funding large, unanticipated emergency food aid needs is the Bill Emerson Humanitarian Trust (BEHT). The BEHT is an important resource that assists the U.S. to meet major urgent humanitarian food aid needs. The BEHT complements Title II by providing resources to address unanticipated emergency food aid needs. However, one concern is that the releases from the BEHT have exceeded the statutory limit on its annual replenishment. As a result, the BEHT as a resource is shrinking.

*Prioritization:* In 2005, USAID issued a new Food Aid Strategic Plan for 2006–2010. This plan seeks to make the best use of Title II food aid resources by allocating resources to the most vulnerable people in order to help build resiliency and enable them to withstand the next drought or flood and, therefore, decrease dependency on food aid in the future.

We are strategically focusing the food aid resources available for non-emergency programs on the most food insecure countries. Resources that were historically spread across over 30 countries will be concentrated in about half as many countries in order to achieve maximum impact. Through addressing the most pressing food security needs with focused resources (especially in the countries that continue to

need emergency food aid) we will work to reduce the need for emergency food aid over time.

To address the underlying causes of food insecurity in these priority countries, we need to increase integration of Title II and other funding sources in programming. For example, in Haiti USAID uses Child Survival and Health funds to train health care workers to monitor the growth of young children who are receiving food aid under the Title II program. In Mozambique, Development Assistance funds are used, in conjunction with Title II funds, to support road rehabilitation and help farmers get their products to market more quickly and for fair prices.

*Integration:* Under the U.S. Foreign Assistance Framework, USAID and the State Department are working to integrate all foreign assistance resources toward a number of objectives designed to set a given country on a sustainable path towards development. We have wrapped funding, goals, and performance indicators into one system that will be able to tell you who is spending the money, what it is being spent on, and what we expect to get from spending it. This information will come together in an annual Operational Plan submitted to Washington for each country where foreign assistance funds are provided. For the first time, starting with FY 2007 funds, Title II non-emergency programs will be integrated in country programs to achieve maximum impact. By bringing U.S. foreign assistance resources together in a strategic and integrated fashion, the U.S. Foreign Assistance Framework allows the U.S. Government to implement more-effective and multi-sectoral interventions that address the overlapping themes of poverty and hunger and the underlying factors that cause them, country by country. Programs are thus more comprehensive in scope and complementary in nature, with food aid serving as only one tool of many working together to address the chronic causes of poverty and hunger in the most food-insecure countries.

R*ationalizing Program Expenses:* As we focus on the most food-insecure countries and integrate food aid programs with other programs focused on food insecurity objectives, we need to review our own regulations on non-food resources, such as 202(e) authority, to ask whether it needs updating. There was a time when the distinction between two main non-freight authorities—internal transport, storage and handling (ITSH), on the one hand, and 202(e) administrative expenses on the other—made sense. After all, that latter category was viewed as overhead that should be limited to ensure that as much food aid went to beneficiaries as possible. We are considering whether consolidating these funding authorities would lead to a more streamlined, cost-effective operation by having needs, and not funding categories, determine expenditures.

Another area of food aid resources that deserves a closer look is monetization. As the Committee knows, in recent years, monetization has generated a significant amount of debate both globally and in the U.S. food aid community based on differing views of the impact that monetization has on local markets and commercial imports. At the same time, we know that monetization can have development benefits and can be appropriate for low-income countries that depend on imports to meet their food needs. While the U.S. Government strongly supports monetization, many in the food aid community are concerned that monetization may be lost as a tool in the Doha World Trade Organization negotiations and continue to press for its use. Others are prepared to look for alternative means to address the causes of hunger and poverty. FFP agrees with the GAO recommendation to establish a database on monetization to record costs and proceeds, in order to inform this debate and seek improvements.

*Monitoring:* The GAO has recommended that USAID increase the monitoring of Title II programs in the countries where the food is monetized and distributed. We support the recommendation to conduct more monitoring. USAID currently uses multiple sources of funding to cover current monitoring costs for Title II programs. Statutory restrictions in the use of Title II resources limit the current level of monitoring.

*Food Aid Quality:* Both USAID and USDA are already at work in preparing a comprehensive evaluation of food aid specifications and products. The report will begin with a thorough evaluation of contracting procedures; the focus will be on the expeditious enforcement of contract standards in order to gain higher incidence of contract compliance. Next, the review will evaluate USDA product specifications with a focus on laboratory testing and manufacturing standards. The focus of this second stage will be on improving post-production commodity sampling and testing procedures, with emphasis on sound scientific standards.

The third and final stage of the initiative will review options on nutritional quality and cost effectiveness of commodities currently provided as USDA and USAID food aid. We want to ensure that the food we provide is of the highest caliber to meet the nutritional requirements necessary to address today's beneficiaries. We

will have consultations with nutritionists, food technologists, commodity associations, the World Food Program, the PVO community, and all relevant businesses that produce, ship, or package food aid. USDA and USAID have already posted requests for information from potential contractors to support this third stage.

*Partnership:* Finally, I would like to comment on our commitment to increase and improve our consultative partnership with our partners and to increase public-private partnerships related to food aid and reducing food insecurity. For example, the Food Assistance Consultative Group (FACG), mandated in the farm bill, has not been as participative as USAID and our partners would like to see. We plan to propose changes to the structure of the FACG in order to improve the consultative nature of discussions and to focus again on specific issues that should be solved through a broader consultative process. These changes do not require any legislation.

Food aid programs are complex, and the problems and issues that U.S. food aid must address are increasingly complex. The Administration is committed to ensuring that Title II food aid is managed in the most efficient and effective manner possible, to decrease costs, increase impact and continue the 52 years of proud experience in using U.S. food aid to save lives and protect and improve the livelihoods of vulnerable populations. We look forward to continued discussions and debates with Congress on how the farm bill can best allow the United States to respond to new food aid challenges to reduce global hunger and poverty. Thank you.

Mr. MCINTYRE. Thank you very much. Thanks to both of you gentlemen.

Mr. Yost, I would ask you, what is your response to the argument that shifting funds out of Public Law 480 for local or regional purchase would undercut U.S. support for food aid and could even result in less food aid being provided?

Mr. YOST. Just a couple comments on the 25 percent proposal. It is up to 25 percent. It doesn't mandate 25 percent. Second, it talks about sourcing the food in the local area. Just a couple examples I would use: we diverted food aid to Lebanon this past year and the best we could do was 17 days and we were very fortunate to have a ship in position that was loading at the docks in New Orleans. Previously, during the tsunami effort, the best we could do was 13 days to divert a shipment, and once again we were fortunate to have food in a position that we could shift. I think if this argument is presented properly, as I have presented it to stakeholders, commodity groups, when they learn this is about up to 25 percent, not buying the food from our competitors but buying food locally, and it is about saving lives, the issue is better received.

Mr. MCINTYRE. And when you say if the argument is presented properly, who else do you have confidence under your administration and in your service could present that argument properly? Who would you designate to do that if you are not available?

Mr. YOST. I have a number of people in our agency, our Under Secretary. There are several that would be happy to interact.

Mr. MCINTYRE. Could you provide us a list of those people so we will know who to call upon?

Mr. YOST. Yes.

Mr. MCINTYRE. All right. If you would do that please within the next 7 days, if you would submit it to the Committee staff, that would be great. Thank you.

Mrs. Musgrave.

Mrs. MUSGRAVE. Thank you, Mr. Chairman.

Mr. Yost, could you elaborate please on the successes of the technical assistance programs that are used in resolving trade disputes?

Mr. YOST. The Technical Assistance for Specialty Crops Program is where most of our efforts are focused. We work with co-operators that are on the ground working on a variety of problems in a variety of countries around the globe. We have had success with this program and that is one reason the Administration's farm bill proposal looks at various ways to expand that program.

Mrs. MUSGRAVE. Further, with budget constraints that we are hearing about, can you prioritize the requests of the Administration? Where should we have additional spending? Could you help me with that, please?

Mr. YOST. One of the first requests we have is to expand the MAP program by $25 million per year. Also, we would like to establish a grant program to hire outside entities and experts to address sanitary and phytosanitary issues. We are requesting $2 million per year for that program. We are also requesting a small amount of money to position American international standard-setting bodies, and we are looking at expanding the TASC program over time up to $10 million per year. I think the thing we have to look at in all these requests is that we are talking millions of dollars, not billions and not hundreds of millions of dollars, but there are billions of dollars of trade at stake. We feel very strongly in our agency by implementing and funding these programs, we can have a profound effect on American agriculture.

Mrs. MUSGRAVE. Thank you.

Mr. Hammink, can you identify some of the problems with food aid transport which raise the cost, make it take a lot longer, and what can be done to streamline this much-needed aid, the delivery of this aid?

Mr. HAMMINK. Thank you. I am sure that you are aware the GAO just completed a report on U.S. food aid, and a good part of the report focused on those kinds of efficiency questions. We met a few days ago with colleagues in USDA and the Maritime Administration. We will be looking at some of the GAO recommendations and following through. For example, to see what the cost might be in terms of having contracts for transport which would be long-term in nature and not just for each trip. We will also work with DOD to look at how that could be applicable to how Title II is shipped. At the same time, GAO had some recommendations on sharing the risks and we will be looking at that as well with our colleagues in the Maritime Administration and USDA as well as of course the industry, the carriers themselves, and other interested people such as the PVOs; which would probably take the risk that would be shifted from the carriers if we did that. We will continue to look at ways to decrease transport costs as well, and will continue discussions with the Maritime Administration and with the GAO. Thank you.

Mrs. MUSGRAVE. I would like to thank the witnesses.

Thank you, Mr. Chairman.

Mr. MCINTYRE. Thank you.

Mr. Barrow.

Mr. BARROW. Thank you, Mr. Chairman.

Mr. Yost, I hear you talking about how free trade agreements are working out fine for us. I think about what is happening in cotton and realize that cotton exports are booming to China, but also that

we are shipping all our jobs over there for processing the raw material into fabric and then turning that fabric into finished products. I mean, it is sort of a mixed signal there. Are you familiar with the Inspector General's report on the USDA's efforts in expanding foreign markets?

Mr. YOST. Yes, I am, Congressman.

Mr. BARROW. Do you agree with his assessment that you are not doing as good a job as you can?

Mr. YOST. No, we do not agree with it.

Mr. BARROW. Why?

Mr. YOST. Last year in 2006, worldwide exports of agricultural commodities was $350 billion. We had nearly ⅕. One country commanded almost ⅕ of those exports. We had $69 billion of agricultural exports last year. I think we are doing an outstanding job.

Mr. BARROW. This is the Inspector General's assessment, not mine. I am just wondering where does that report go off? Where does it disagree with your assessment that everything is fine?

Mr. YOST. They used a different data set at different times to come up with their rationale. We have weighed in against it and argued against their methods. They still came forward with that assessment. They used a base period from 1984 to 2005. If you use 1986 to 2006, our share of trade went from 21 to 19.6 percent. So some of it is statistics used, some of it is the data sets. In this case, we would argue that they didn't use a standard set of data.

Mr. BARROW. Didn't use years when we were doing better?

Mr. YOST. Pardon me?

Mr. BARROW. They did not use years when we were doing better? Is that what you are saying?

Mr. YOST. No, they started out with a different data set than they ended. They used different data to compile their statistics.

Mr. BARROW. Well, I have to say I am concerned. This is one area where we have optimal advantages over the rest of the world and for us to have ⅕ may sound outstanding in the abstract, but where I am coming from folks feel like our access to foreign markets isn't what it ought to be, what access we are getting as a result of bleeding in our sectors of our economy, and what I hear you saying is that everything is as good as it can be.

Mr. YOST. No, I don't want to imply it is as good as it can be.

Mr. BARROW. All right. How can it be better?

Mr. YOST. Well——

Mr. BARROW. And I want your assessment, not the Administration's assessment. How do you think things can be made better?

Mr. YOST. I really am a believer in the proposals that we are putting forward to attack sanitary and phytosanitary issues. We literally have an SPS issue of the week at our agency. These are the trade barriers. We need more resources to attack these barriers. Some of these are scientific in nature. Others are political in nature.

Mr. BARROW. Do we need resources to attack them or do we need to respond in kind because we had a hearing earlier this week raising some issues about that that suggest that maybe we are not doing enough to protect ourselves from imports into this country that don't match our standards. We are not playing on a level playing field. We hear that in other contexts about environmental

standards and labor standards. It seems to me that food safety standards are an area where what is good for the goose is good for the gander.

Mr. YOST. My response would be that, if we are going to do something, I hope we base it on scientific standards because at the end of the day we need to gravitate internationally to scientific standards, not——

Mr. BARROW. I appreciate that and I hear that about things being based on sound science and I hear folks on both sides of a political argument making that argument, but sound science is as sound science does is what I am getting at. I hope that you all will come up with something more effective than what we have been experiencing so far because we have a case of the "slows" when it comes to sticking up for our exports. Other folks are quick on the trigger to use just about every device in the world to limit our access to their markets.

I see my time is running out, so Mr. Chairman, I yield. You may say whatever you want, Mr. Yost, but I have to stop.

Mr. YOST. I tend to agree with a lot of your comments.

Mr. MCINTYRE. Thank you very much, and thank you, Mr. Barrow for those questions, and we look forward to your responses to those in further detail. I would like to now acknowledge that Mr. Moran, who is not a Member of the Subcommittee but we had greeted him earlier to join us and has been here since the beginning, has stepped out. We will let Mr. Smith go ahead.

Mr. SMITH. Thank you, Mr. Chairman.

A question for Mr. Hammink. The GAO identified limitations of staff as a barrier to providing effective oversight of food aid programs. Do you feel the level of oversight provided by USAID staff is adequate for the extended programs and regions involved?

Mr. HAMMINK. Thank you. I would like to discuss a few points. One is that monitoring is adequate, but it can always be improved and we do have people monitoring these programs in all the countries where we have food aid programs. The GAO report appropriately looks at how many monitors we have in those countries where we have non-emergency programs. The people there are funded from different sources and not always Title II so we would welcome continued discussion. We have told GAO that we plan to expand our monitoring capabilities—especially in those countries where we have ongoing multi-year, non-emergency programs.

Mr. SMITH. Thank you. I yield back.

Mr. MCINTYRE. Thank you, Mr. Smith.

Mr. Salazar.

Mr. SALAZAR. Thank you, Mr. Chairman.

As many of you know, I am a longtime farmer. I have farmed all of my life and one of my biggest concerns of course is government intervention in many of the commodity programs. Definitely they understand that sometimes government means well, but sometimes it really messes up the farmer. For example, I am a strong believer in fair trade, not necessarily free trade, and many times when it comes to trade programs, agriculture is used as the whipping boy and many commodities sometimes get the short end of the stick. But one of the things I wanted to ask Mr. Yost is, the Secretary of Agriculture has proposed the authority for the export enhance-

ment program to be terminated in the next farm bill. Could you elaborate on the Department's rationale for eliminating this program?

Mr. YOST. One of the reasons for not extending it is the fact that it hasn't been used for a number of years, and would not affect U.S. exports. Also, in many cases, particularly now, it is hard to present a case where we wouldn't have commercial displacement or trade that would go on normally without any help or any subsidy from the government.

Mr. SALAZAR. Okay. One of the issues that we are having, and I tend to disagree with your rationale or your basis on saying that the export programs are going well. Last year, for example, we became net food importers of specialty crops. Could you address that, or do you agree with that?

Mr. YOST. I don't have the figures off the top of my head. You could be right. We do have year-round availability of a number of fruits and vegetables. Trade is a two-way street. When I go to the grocery store, I see that we have a wide variety and abundance of various fresh fruits and vegetables year round; plus there are a number of them that I don't know what they are. If there wasn't a sign above them, I wouldn't know their names. We have a very significant immigrant community in this country now and various retailers are importing a number of what I would refer to as somewhat exotic fruits, vegetables and other products to sell to that community.

Mr. SALAZAR. Well, especially in the specialty groups, when it comes to vegetables, and I agree with you that many times the phytosanitary issues are the ones that become really the political issues and I understand that for example, with the Country of Mexico. In Colorado, I chaired the seed export program for potatoes and we tried to open up that market forever and ever and it seemed like Canada was able to move their product, I think it was over 200 metric tons of seed potatoes from Canada, all the way to Mexico yet the American Government couldn't, I guess rationalize with the Mexican Government and create a good program. So I would encourage you to look at specialty crops and vegetable crops especially because I think that the phytosanitary issue has become a real barrier to fair trade.

Mr. YOST. We will do that, Congressman. The SPS issues are real barriers. We talked with the Mexicans this week about the potato situation, and pushed for resolution on that issue.

Mr. SALAZAR. Thank you. I yield back, Mr. Chairman.

Mr. MCINTYRE. Thank you, Mr. Salazar.

We would like to thank our witnesses and look forward to your full statements in the record and also to your further answering the questions in full that you were requested to do during this hearing, and certainly welcome you any time to come back to our Subcommittee as we move further into the farm bill.

We appreciate your kindness in being with us and call panel three to the table. We understand votes will be coming shortly so we are going to move promptly to panel three. While they are coming up here, I will go ahead, and in the interest of saving time, to let you know that I will be stepping out for a meeting with the Speaker in a few minutes and Mr. Salazar will assume the gavel.

Mr. Barrow will be joining me in that meeting as well. So he and I will be slipping out, not because of anything that the witnesses say but because the Speaker has summoned us to a special meeting concerning this topics this Subcommittee is concerned about, namely issues involving peanuts.

Ms. Ellen Levinson is Executive Director of the Alliance for Food Aid in Washington. Ms. Annemarie Reilly, Chief of Staff at Catholic Relief Services out of Baltimore. Mr. John Gillcrist is Chairman of Bartlett Milling Company on behalf of the Agricultural Food Aid Coalition out of Kansas City, Missouri. Mr. Robert Binversie is a Volunteer in the Farmer-to-Farmer Program out of Kiel, Wisconsin. I apologize if any of those names or places were mispronounced. Feel free to correct my pronunciation if they were not accurate. We have one other special guest that I will call upon the Ranking Member, Mrs. Musgrave, to introduce.

Mrs. MUSGRAVE. Thank you, Mr. Chairman. I am especially proud today to introduce Cary Wickstrom from the beautiful area of the 4th district around Orchard, Colorado. He is the Immediate Past President of Colorado Wheat Administrative Committee, and Cary and his family have a farming operation there, very progressive and far-thinking. So Cary, it is especially nice to welcome you today so close to home.

Thank you, Mr. Chairman.

Mr. MCINTYRE. Thank you, Mrs. Musgrave.

Ms. Levinson, please begin.

**STATEMENT OF ELLEN S. LEVINSON, EXECUTIVE DIRECTOR, ALLIANCE FOR FOOD AID (AFA); PRESIDENT, LEVINSON & ASSOCIATES, WASHINGTON, D.C.**

Ms. LEVINSON. Thank you, Mr. Chairman, and we are very grateful for the Committee and its longstanding support for food aid.

My name is Ellen Levinson. I am testifying today on behalf of 15 nonprofit organizations that are commonly called PVOs, or private voluntary organizations, and cooperative organizations, and the thing that they have in common is that they all conduct international food aid programs in addition to a variety of other humanitarian and development activities. They operate in 130 countries, are partners with both USDA and USAID on food aid programs, and they conduct both emergency and non-emergency programs. They are a wide range of organizations, World Vision, United Methodist Committee on Relief, which is very large, they are both very large, American Red Cross, to some smaller, lesser known ones like International Relief and Development and some cooperative organizations which maybe you are less familiar with. And they all have one thing that they do in common when they conduct food aid programs, and that is that they focus their efforts at the community level and particularly in communities that lack the wherewithal to meet their basic food aid needs on a regular and sustainable basis.

I want to just take a minute to explain how we do that. Food aid is used in developing countries that have to rely on imports to meet their nutritional needs. So, targeting populations in need is the initial phase of a food aid program planning. As a first step, a PVO will use nationwide data and nationwide surveys on things such as

infant mortality rates, poverty levels, prevalence of disease such as HIV/AIDS, and susceptibility to drought to identify the neediest areas within the country. Once they have identified that, they meet with local administrators and community groups and they determine what types of services are already being provided, which services are lacking and the types of interventions that would be most helpful. They use focus groups, rapid surveys and other methods to narrow down the target population. Then to avoid stigma when they develop programs, they may not necessarily just target particular households or people but maybe the whole community. So it is a community-wide effort. The goal is to build local partnerships, leadership and local capacities so that when the program ends, there is something we leave behind. Market analysis is a very critical part of food aid programs whether it is for distribution or you are going to sell some of the commodity and use the proceeds. It is required for all programs. One of the things you look at is what we call a disincentive analysis, and that is to make sure that the commodities chosen will not interfere with local production and marketing, and that there is adequate storage in the country for the commodities you are bringing in so they will be able to be distributed safely and kept properly in the country.

PVOs add value to the programs by strengthening the management capabilities of local institutions, developing community leaders, providing a network of contacts and relationships, and they encourage entrepreneurship and develop programs with lasting benefits. They are audited, and I want to be clear that these programs are fully audited by the U.S. Government and they are responsible from the moment the commodity leaves ship's tackle at U.S. port to the ultimate recipient. They provide detailed accounts. If it involves monetization, it is how they did the bidding, what prices they got and how it is compared to local market prices. If it is distribution, they have to show how they manage it, how much food is distributed to which populations, plus they measure impact. So there is a whole lot of reporting going on. I believe USAID and USDA have all this because it is delivered to them regularly and perhaps one way we could improve understanding of the programs is to have more of that information regularly provided to the Committee in reports. I think some confusion comes just from not having the data summarized before you.

We have several recommendations for the farm bill, mainly to improve the effectiveness of programs and predictability, and also to make sure we do more in the area of developmental food aid and have emergency backup that is early and quick. First we recommend, and you can read the testimony for the details, the Bill Emerson Humanitarian Trust that holds commodities and funds for emergencies. We would like to make sure it is more reliable at the early stage of an emergency and immediately after the Title II funding. Public Law 480 Title II funding for emergencies is considered to be insufficient. A better replenishment mechanism is also needed, and that is rather complicated, so I won't go into that at the moment.

Second, from 2001 to 2006, U.S. developmental food aid fell by 42 percent. We would like to turn that around. We think it is counterproductive. Non-emergency food aid programs are conducted in

areas where poverty, unpredictable or unfavorable climates and remoteness have made it very difficult for people to improve their lives without help from the outside. Our programs are giving people a means to improve their lives—providing stability and a hope for a better future. I have examples in my testimony. In Kenya, for example, we have an area in the Tracana, a very arid area where not only was food aid used for distribution for food for work projects on agricultural development and irrigation, but also for targeted households for child survival; children who are malnourished under the age of 5. We were able to, within 3 years, see increases in income and they would be tripled in those households. These are areas that are vulnerable regularly to droughts but they are now not receiving emergency food aid while other areas around them are. So we can really overcome some of these causes. We see similar impacts in Bolivia and all over the world. In Bolivia, we can show decreased stunting by 30-some percent in children as well as increased household incomes. These have long-term benefits.

How do we solve the problem of the decreasing developmental food aid? Well, I understand you have budget issues so the first thing you can do without a budget impact is to assure part of the Public Law 480 Title II program is definitely going to be used for these programs. We recommend 1.2 million metric tons and that cannot be waived. Second, we believe that the Food for Progress Program could be increased. Right now we are not even meeting the minimum tonnage of 400,000 metric tons. That is for countries that are making economic reforms, and we are using it to improve agricultural development, critical programs, so we would love to see that increase. We do realize that has a budget impact so we understand there may be issues there.

And finally, I want to say that we believe there are ways to improve the efficiencies of this program and we are happy to discuss that with you, but one of the main ways is spreading out the deliveries throughout the year. Right now, program approvals, particularly under Public Law 480 Title II, lag. They aren't approved, and the commodities are not called forward, early in the fiscal year. If we could have early approvals of programs, have the commodities able to be ordered and delivered throughout the year, we wouldn't have what we call bunching of orders at the end of the fiscal year that the GAO recently reported. It could contribute to 12 to 14 percent higher prices. So I think all the way around, and it is better for us as implementing agencies so we can get the commodity at the right time for the right purpose. And so I think that is one recommendation——

[The prepared statement of Ms. Levinson follows:]

PREPARED STATEMENT OF ELLEN S. LEVINSON, EXECUTIVE DIRECTOR, ALLIANCE FOR FOOD AID (AFA); PRESIDENT, LEVINSON & ASSOCIATES, WASHINGTON, D.C.

Mr. Chairman, thank you for this opportunity to testify before the Subcommittee, today, on U.S. food aid programs. My name is Ellen Levinson and I am testifying today as the Executive Director of the Alliance for Food Aid (AFA or "Alliance"). The Alliance is comprised of 15 private voluntary organizations and cooperatives (jointly called "PVOs") that operate humanitarian and development assistance programs in 130 countries, are partners in USDA and USAID food aid programs, and conduct both emergency and non-emergency food aid programs.

The members range from some of the largest charitable organizations in the United States that implement a wide variety of projects all over the world to small-

er organizations that specialize in particular regions of the world or have expertise in particular types of programs. What they have in common is that they focus their efforts on communities that lack the wherewithal to meet their basic food needs on a regular and sustainable basis. They use participatory methods that emphasize local initiative, provide technical assistance and training, and focus on building local capacity, institutions and leaders. Most of our members also conduct emergency programs, as well, where food aid is needed to save lives and help people regain their health and strength.

Mr. Chairman, we thank the Congress for its unrelenting support of food aid over the years. Food aid is our nation's principal program supporting food security in the developing world. It contributes to meeting the Millennium Development Goal of cutting hunger in half by 2015 and is critical for saving lives in the face of disaster. Some improvements and upgrades are needed in administrative programmatic procedures and greater efficiencies can be built into procurement and transportation procedures. However, most important for the 2007 Farm Bill is assuring predictable levels for both chronic and emergency needs in order to support good program planning and implementation and to reverse the downward trend in multi year developmental programs.

The Alliance has three core recommendations for the 2007 Farm Bill—

- Assure adequate amounts of food aid are available from the Bill Emerson Humanitarian Trust and it is available to respond quickly in the face of food shortages, civil unrest, and other crises.
- Increase resources for multi year programs that improve the food security, health and welfare of populations that suffer from chronic hunger by (1) making available at least 1,200,000 MT of food aid each year for Title II non-emergency programs that promote food security and protect against the erosion of health and incomes, and (2) lifting the transportation cap on Food for Progress so 500,000 MT can be provided to developing countries that are implementing reforms in the agricultural economies.
- Improve administrative procedures through early program approvals, spreading out procurement throughout the year, improving product quality oversight, and requiring the submission of annual reports from administrative agencies that include information about program targeting and implementation, including monetization and distribution results.

**Role of PVOs in Food Aid**

Identifying populations in need is part of the initial program planning process for PVOs. Alliance members use data from nationwide and regional surveys provided by recipient countries, the United Nations, and other recognized sources. Such data may include mortality rate of children under the age of 5, infant mortality rates, prevalence of malnutrition among children, percentage of people living under the poverty line, susceptibility to drought, and prevalence of disease, such as HIV/AIDS.

Once areas of greatest need are pinpointed, PVOs meet with local administrators and community groups to determine what types of services are already being provided, which services are lacking, and the types of interventions that would be most helpful. They use focus groups, rapid surveys, and other methods to narrow down the target population to those with greatest need. To avoid stigma programs often target the community and not just particular households and individuals. The next step is working with local partners to design and implement programs. For your reference, *Attachment A* summarizes the program planning and approval process for P.L. 480 Title II non-emergency programs for FY 2007.

PVOs are audited according to U.S. Government requirements and have well-established mechanisms for monitoring and reporting on the use of commodities from the point of departure from the U.S. to the ultimate recipient. In the case of monetization or if funds have been provided for program support, itemized records of the bidding process, funds generated and use of such funds are maintained and provided in regular reports to USAID and USDA. They also keep records to assess the ultimate impact of the program on the intended beneficiaries. Value is added to programs by strengthening the management capabilities of local institutions and building community capacity; providing a network of contacts and relationships linking people overseas with Americans; encouraging entrepreneurship and private sector development; and creating programs that have lasting benefits.

**Why Change Is Needed**

Food security is negatively affected by a wide range of issues, including poor agricultural productivity; high unemployment; low and unpredictable incomes; remoteness of farm communities; susceptibility to natural disasters, civil unrest and insta-

bility; wide discrepancies between the well-off and the poor; chronic disease; and lack of basic health, education, water and sanitation services. Thus, rather than just distributing food to needy people, U.S. food aid has evolved into a multi-faceted program that addresses the underlying causes of hunger and poverty. This mixture of food and support for local development is the program's strength and was reinforced in the 2002 Farm Bill. However, the Administration was given wide berth to set priorities and waive requirements, which has taken food aid down a different road than anticipated in 2002.

Policy changes over the past 5 years have essentially reduced overall food aid levels (particularly by eliminating Section 416 surplus commodities and Title I appropriations), shrunk development-oriented programs to 42% their 2001 levels (according to an April 2007 GAO report) , and exposed the lack of contingency planning for food emergencies. While the 2002 Farm Bill called for increased levels of P.L. 480 Title II development programs to 1,875,000 metric tons, instead these programs were reduced and are now about 750,000 metric tons.

The 2002 Bill also called for upgrades and improvements in governmental management and information systems, but instead the level of programming has become less predictable; program priorities and proposal review processes have become more opaque; the "consultative" nature Food Aid Consultative Group process has deteriorated; Title II procedures are making it more difficult for PVOs to access funding; and commodity quality control systems have not been renovated to modern standards.

Meanwhile, the world's efforts to meet the Millennium Development Goal of cutting hunger in half by 2015 is far from reach—the number of people suffering from chronic hunger *increased* from 1996 to 2004 from under 800 million to 842 million—and international appeals for emergency food aid are under-funded. While U.S. food aid alone cannot resolve this sad and complex problem, it is a critical component of an international food security strategy and is particularly effective in countries with chronic food deficits and for vulnerable, low-income populations.

Several food aid statutes set tonnage minimums—to assure that food is provided in times of high prices. These requirements are important, but they need to be updated and supported by sufficient appropriations.

Finally, Doha Round international trade negotiators, the Food Aid Convention and the UN Food and Agriculture Organization all have particular roles in international food aid policies and procedures. They are examining the use of food aid by donors and are looking critically at certain modalities and methodologies, including in-kind food aid, monetization and non-emergency programs. While U.S. programs are typically well-focused and food security oriented, this is often unclear or misrepresented to others. As the largest donor in the world, Americans should be proud of their food aid program. It is critical that government agencies collect and make available sufficient information to show how these programs work and their impact.

With these factors and trends in mind, we offer recommendations to improve the quality and predictability of food aid, and to assure the United States has a plan and effective methods to address both chronic and emergency needs.

**P.L. 480 Title II—the Core U.S. Food Aid Program**

*1. Administrative Upgrades: Adequate Funding at the Start of the Fiscal Year, Predictable Tonnage Levels, Early Program Approvals, and Sufficient Reporting*

Administered by the U.S. Agency for International Development (USAID), Title II provides food aid donations for development programs and emergency needs through "eligible organizations," which are PVOs and the UN World Food Program. The law sets a minimum commodity level for the program of 2,500,000 MT, of which 1,875,000 MT is for non-emergency programs that address chronic hunger.

From FY 1999 through FY 2002, the Section 416 surplus commodity program provided significant amounts of food aid, and much of it was for emergencies. This was a source of supplemental funding for the Title II program. As the attached funding chart shows, availability of Section 416 surplus commodities was phased out starting in FY 2002. While Title II funding increased over the same period and enough is provided to meet the 2,500,000 MT minimum commodity level set by law, this increase has been insufficient to make up fully for the loss of Section 416 commodities. Current funding levels are not maintaining adequate levels for both emergency and non-emergency requirements. This has resulted in cutbacks in developmental food aid programs, uncertainty about the levels of food aid each year and increased reliance on supplemental appropriations to fill gaps in emergencies.

The Government Accountability Office (GAO) noted in a recent report that cost savings of 12–14 percent may be possible if commodity orders could be spread out

more evenly throughout the program year, rather than "bunched" toward the end of the year. A variety of factors contribute to the "bunching" of commodity orders, including piecemeal appropriations, unreliable levels and late program approvals. From the perspective of implementing organizations, these practices have also created a series of other unfavorable consequences: commodity distribution and sales overseas cannot be well planned when dates of delivery are not reliable or when commodities are not made available throughout the year. This causes concern about the potential for disrupting commercial markets and having the food arrive at the wrong time in the program cycle.

While some emergencies, such as sudden natural disasters and outbreak of civil war, cannot be predicted in advance and can occur any time during a fiscal year, other emergency needs are ongoing and can be factored into the regular budget request and appropriations process. For example, areas such as the Horn of Africa that are prone to drought, flooding, locusts or other natural disasters are monitored through a variety of early warning systems. Other emergencies, such as the ongoing conflict in Sudan, are expected to continue until the source of the problem is resolved. Because the Administration does not ask for adequate funding to meet these anticipated emergency needs, funds have been withheld from the non-emergency programs for several months as USAID adjusts its budget and waits to see if there will be supplemental funding.

As a result, there are gaps in food aid deliveries for both emergency and non-emergency programs, PVOs must cover local costs while programs are on hold and some programs are, *de facto*, cut back. Later in the year, the Administration often receives supplemental appropriations for the extra emergency needs or uses commodities from the Bill Emerson Humanitarian Trust. Because the actual amounts needed are not requested up front as part of the regular budget cycle and the Administration only uses the Trust as a "last resort," commodity orders are concentrated in the last months of the fiscal year.

The Alliance has several recommendations for improving the reliability and timeliness of food aid programs.

- Assure that minimum tonnages are taken seriously and incorporated into USAID's planning and budgeting. Our recommendation for a 1,200,000 MT "safe box" for non-emergency programs, described under point 2, would help to achieve this goal.
- Require USAID to approve non-emergency programs and commodity levels 2 months in advance of the beginning of the fiscal year. This would allow the first commodity orders to be placed in time for delivery during the first few months of the fiscal year. Since all agreements are subject to appropriations, early approval would not override the budget process. In addition, the Title II account holds extra funds at the end of each fiscal year that are typically carried over and these funds can be used to secure the early orders.
- While we recognize that the Committee on Agriculture may not be in the position to effect this change, on-time appropriations and sufficient appropriations at the beginning of the fiscal year would allow orderly program planning and more timely and efficient delivery of commodities throughout the year, without program disruptions. When adequate sums are available, more commodities can be pre-positioned off-shore for more timely deliveries if an emergency arises. The procurement can be spread out throughout the year, which will allow USDA to plan its procurement to get the best prices possible for commodity and inland transport.
- As described later in our testimony, clarify that the Trust should be used rather than curtailing developmental food aid programs to shift the funds to emergencies.

With these procedures, commodity ordering and delivery would be more reliable, which agricultural processors are seeking so they can plan their inventories, which PVOs are seeking so the commodity arrives when needed, and which saves money because commodity purchases and shipping can be spread out throughout the year rather than spiking during the last 3 months of the year.

*2. A Safe box for Developmental Food Aid Programs*

*Establish a safe box for Title II non-emergency programs that assures 1,200,000 metric tons will be made available each for non-emergency Title II programs each fiscal year. This amount would not be subject to waiver.*

Section 204(a)(2) of P.L. 480 directs USAID to make available 1,875,000 metric tons of commodities for Title II non-emergency programs each fiscal year. The law permits USAID to waive this minimum after the beginning of the fiscal year if there

are insufficient requests for programs or the commodities are needed for emergencies. This implies that USAID should seek proposals for the full non-emergency minimum tonnage and only waive the minimum under extraordinary circumstances. Instead, months in advance of each fiscal year USAID acknowledges that non-emergency programs will be limited to about 750,000 MT and does not make the minimum tonnage available.

We therefore recommend only allowing USAID to waive up to 675,000 MT of the non-emergency minimum tonnage level, which would assure that USAID makes available at least 1,200,000 MT each year for multi year food for development programs—reestablishing America's commitment to help those suffering from chronic malnutrition and hunger. This is less than the minimum tonnage required under law for these programs (1,875,000 MT), but more than the amount USAID is actually providing (750,000 MT).

Programs that address the underlying causes of chronic hunger include mother-child health care, agricultural and rural development, food as payment for work on community infrastructure projects, meals in schools and take-home rations to encourage school attendance, and programs targeting HIV/AIDS-affected communities. Chronic hunger leads to high infant and child mortality and morbidity, poor physical and cognitive development, low productivity, high susceptibility to disease, and premature death.

Reducing these programs has been counterproductive, as developmental food aid helps improve people's resilience to droughts and economic downturns. Giving people the means to improve their lives also provides hope for a better future and helps stabilize vulnerable areas. Valuable expertise of PVOs to help these communities and to respond to food crises is being lost as they must stop their food aid activities, leave their local partners and lose their strategic networks in these vulnerable areas. Giving people the means to improve their lives also provides hope for a better future and helps stabilize vulnerable areas.

We also note with alarm that due to budget constraints, in 2006 USAID established a policy to limit non-emergency food aid to fewer countries in order to "focus" the remaining resources. Under this policy, non-emergency programs are being phased out in 17 countries and cutback in others and programs will be allowed in only 15–18 selected countries. Concentrating food aid resources in areas where there is high prevalence of food insecurity and vulnerability is appropriate and was anticipated in the USAID Food for Peace Strategic Plan, 2006–2010. However, the current policy eliminates too many areas where chronic hunger is prevalent and was driven by the decision to reduce the budget for non-emergency programs. Many poor, vulnerable populations will be excluded from receiving food aid, even though their needs are as compelling as those populations that will be served. The capacity of PVOs to serve populations in non-eligible countries will be lost, making it more difficult to respond effectively at the early signs of an emerging food crisis, which runs counter to the intent of the Strategic Plan.

The two examples below are in phase out countries, Bolivia and Kenya. They show how food aid programs are often conducted in areas where poverty, unpredictable or unfavorable climate, and remoteness have made it very difficult for people to improve their lives without help from the outside. These programs leverage resources and create benefits beyond the targeted recipients, increasing the impact per dollar spent.

*Bolivia:* Adventist Development and Relief Agency International (ADRA), Food for the Hungry (FH) and several other PVOs are conducting multi-faceted, 6 year programs in Bolivia using food distribution (corn-soy blend, lentils, green peas, soy-fortified bulgur, wheat-soy blend and flour) and proceeds generated from the monetization of flour to support individual, community and municipal efforts to overcome development constraints and to enhance household food security.

In the targeted rural areas over 70% of the population live in poverty and infant mortality rates are 116 per 1,000 births. These communities must rely on their own agricultural production as they are remotely located, have poor roads and lack transportation.

The current PVO programs focus on addressing their lack of access to markets, health care, schools and social services by increasing production and incomes and improving nutrition among vulnerable groups. Food aid is distributed (1) for Maternal and Child Health and Nutrition (pregnant and lactating mothers, infants and children under 5, the most critical stages for cognitive and physical growth); and (2) in conjunction with training and technical assistance for improved agricultural production, diversified crops to improve the diet, and marketing of agricultural products. Concurrent activities included increasing access to clean water, improving health and sanitation practices, natural resource management, building greenhouses, and improving marketing roads and irrigation systems.

In FH's midterm evaluation (2006, 3 years after the program began, compared to 2002 baseline data), they found a 35% decrease in chronic malnutrition in children (height/weight or "stunting") and household incomes had increased by 270% or more. The direct beneficiaries of the FH program, alone, were 212,292 people and indirectly, 410,000 people benefited. Because of program efficiencies and FH's ability to raise more matching funds after the program began, the number of beneficiaries was 283% greater than originally planned.

*Kenya:* A World Vision Title II program in Kenya targeted 1,528 pastoralist families in the Turkana region, an arid environment that is plagued by recurring droughts. Before the program, these families were dependent on emergency food aid nearly every year.

Some of the commodities provided were distributed as payment for participation in training and for working on projects that improved irrigation infrastructure, cultivation techniques and land management. Other commodities were sold through open tenders and the funds generated supported the food for work projects. Within 6 years, even though there had been droughts in between, income increased from a baseline of $235 per year to $800 per year, families could afford to send their children to school, and the communities no longer depended on relief. In fact, the program was turned over to the participants and they have spread their knowledge to 475 other farmer families.

PVOs were hoping to replicate this successful model in other areas of Kenya where pastoralists are still dependent on emergency rations nearly every year. However, USAID is phasing out non-emergency projects in Kenya as part of a larger effort to limit the scope of developmental food aid programs. Meanwhile, Kenya remains a recipient of emergency food aid and pastoralists are particularly at risk.

Reports accompanying appropriations bills for the past 5 years admonish the Administration to meet the Title II non-emergency minimum tonnage and to rely on the Bill Emerson Humanitarian Trust for urgent needs. However, this language has had no perceivable effect. This follows the general trend indicated in a recent GAO's report—from 2001 to 2006 developmental food aid fell by 42%.

*3. Maximize Use of the Section 202(e) Support Funds*

*Make 10% of the Title II program level available for Section 202(e) support funds and allow these funds to be used to support complementary activities associated with food aid programs.*

Section 202(e) funds are provided by USAID to Title II eligible organizations to support (A) the establishment of new programs; and (B) specific administrative, management, personnel and internal transportation and distribution costs associated with carrying out programs in foreign countries. The law provides no less than 5% and no more than 10% of "funds made available in each fiscal year" under Title II for these purposes. The Alliance proposes the following changes:

- Allow Section 202(e) funds to be used to cover costs for development-related activities conducted under a Title II program by an eligible organization. Monetization is often used for these purposes and Section 202(e) is not sufficient or intended to replace monetization. However, monetization is not appropriate in all target countries and in some countries the ability to monetize varies year-to year based on the market situation. Thus, flexibility is needed so Section 202(e) funds may be used for activities that monetization funding often supports, such as materials, technical assistance and training for agricultural, materials for mother-child health care, and food-for-work infrastructure programs.
- Allow USAID to provide funds to eligible organizations to improve methodologies, such as needs assessments for identifying target populations and monitoring and reporting on the impact of monetization and other aspects of their programs. These are activities that will benefit program implementation overall and are not associated with one particular program.
- Provide not less than 10% of total Title II funding for Section 202(e) purposes. Currently, the law allows between 5% and 10% of Title II funds for this purpose, but when developing its 202(e) allocations, USAID does not want to overshoot the 10% maximum. USAID therefore limits 202(e) use to about 7–8% of the regular appropriations level; as it cannot predict how much money may be provided later in the year through supplemental appropriations, carry in funds, or maritime reimbursement. As a result, about 5–6% of the Title II program level is being provided for Section 202(e) (approximately $90 million) Setting a minimum of 10% of total funding provided from all sources will provide the additional funds needed for meeting costs associated with program implementation and improving program methodologies.

Before the early 1990's, when most non-emergency food aid was provided to Latin America and Asia, there were other ways to obtain support funds. For example, the Government of India contributed to some large-scale Title II food for education and early childhood development programs. In some countries, such as Bolivia and Bangladesh, proceeds generated from sales of commodities under government-to-government P.L. 480 Title III programs were available.

However, Title III programs were phased out more than a decade ago, so those funds are no longer available. Now, most Title II food aid is provided to sub-Saharan Africa, where the infrastructure is poorly developed. While non-emergency programs can be coordinated with recipient country developmental or food security plans, the governments themselves generally do not provide direct financial or logistical support. Instead, they look to the PVO to fill gaps in areas of poor coverage. Thus, over the past 10 years PVOs have relied, primarily, on monetization to generate funds to cover program costs and, secondly, on Section 202(e) funds.

*4. Update Food Quality Systems and Product Formulations*

*Title II funds should be provided to bring the food aid quality enhancement project to completion over the next 3–4 years.*

Both the quality and formulation of food aid products are crucial to delivering safe, wholesome products to undernourished populations, particularly vulnerable groups such as infants and young children, women of child-bearing age and people living with HIV/AIDS. Formulations for the value-added products used in Title II have been static for decades and food aid distribution overseas has sometimes been disrupted due to quality concerns. Through private funding, SUSTAIN (a nonprofit that provides technical assistance for food systems and was referenced in the 2002 Farm Bill), has made progress to address these issues in a scientific, systematic and impartial manner. As neither USDA nor USAID has provided funding to support these reforms, if necessary, we support the use of Title II funds for this purpose.

**Assure Timely Use of the Bill Emerson Humanitarian Trust**

*To maintain the Trust as a contingency reserve for emergencies replenish the Trust with $60 million per year until it is full and assure it is available to respond to emergencies in a timely manner and without interfering with the provision of Title II non-emergency programs each year.*

Administered by USDA, the funds and commodities in the Bill Emerson Humanitarian Trust (BEHT or "Trust") are needed to supplement P.L. 480 Title II when there are urgent humanitarian food aid needs. The commodities are provided by the Trust and CCC covers the ocean freight and delivery costs. The Trust can hold up to 4 million metric tons or cash equivalent, but currently only holds about 915,000 metric tons of wheat and $107,000,000 (which is available to buy commodities when needed). Because a diversity of commodities is needed for emergencies, it is best for the Trust to be replenished with funds that can be used to procure the appropriate commodities when needed.

Two mechanisms need to be improved to make the Trust more readily available for emergencies: the "trigger" for releasing commodities and the level of reimbursement. We urge you to make the needed changes in the 2007 Farm Bill.

*Trigger:* Section 302(c)(1)(c) of the Bill Emerson Humanitarian Trust Act states that a waiver of the Title II non-emergency minimum tonnage is not a prerequisite for the release of commodities from the Trust. Nonetheless, the Administration has taken the stance that it will only use the Trust commodities as a last resort after all other avenues, including the Title II waiver, are considered. This may partially be driven by the 500,000 metric ton limitation on BEHT tonnage that can be provided in any fiscal year, although if the Trust is not used 1 year the 500,000 metric tons for that year can be added to future year releases. Another reason may be the term "unanticipated" emergencies, which is how the BEHT Act refers to releases for international humanitarian crises *versus* "emergencies," which is how the BEHT Act refers to releases in case of short supply of a commodity. Thus, we have several recommendations for fixing the language.

First, create safe box for 1,200,000 metric tons (about $600 million total cost) for Title II non-emergency programs that cannot be waived. This takes away the confusion about whether the waiver is used before the Trust can be accessed. Second, eliminate the part of the Trust that refers to "short supply," as it is a vestige of a time when food aid was considered "surplus" and is outdated now that the Trust can hold funds. Third, change the terminology and allow commodities or funds to be released when there are emergency food aid needs. And, forth, allow up to 1,000,000 metric tons to be released in any fiscal year.

*Replenishment:* Currently, the Trust may be replenished either through a direct appropriation or by capturing $20 million of funds reimbursed to CCC from P.L. 480

as repayment for previous use of the Trust. The Administration has never requested a direct appropriation, but Congress provided $67 million for replenishment as part of the FY 2003 Iraq Supplemental Appropriations Act. In addition, USDA has twice captured $20 million from P.L. 480 reimbursements. Thus, the Trust now holds $107,000,000. This amount plus the 915,000 MT of wheat held in storage makes up the total value of the Trust, which is about 1,500,000 metric tons in wheat equivalent prices. To bring the Trust to its full 4 MMT wheat-equivalent level, we urge that the $20 million be raised to $60 million per year.

**Expand Food for Progress**

*Increase the Food for Progress to 500,000 metric tons for programs that improve private sector agricultural, food and marketing systems in developing countries that are implementing market reforms.*

The Food for Progress Act directs USDA through the Commodity Credit Corporation (CCC) to provide a minimum of 400,000 metric tons of commodities each year to developing countries that are introducing market reforms and supporting private sector development. These programs may be implemented by PVOs, the World Food Program and recipient country governments. The amount actually provided through CCC falls short of 400,000 metric tons because there is a cap on the amount of funds that CCC can provide for delivering the commodities and administering the programs overseas.

USDA has authority to use P.L. 480 Title I funds in addition to the CCC funds to implement Food for Progress programs. In FY 2006, about 75 percent of Title I funds were used for this purpose. As no funds were appropriated for Title I in FY 2007, and the Administration seeks no funding in FY 2008, this means a cut in funding in Food for Progress.

Many poor, developing countries are undergoing economic reform and, therefore, the demand for Food for Progress programs is great. Forty-six different PVOs apply for Food for Progress programs. For FY 2007, 100 proposals were submitted by PVOs and 16 by governments, but only 11 new proposals were approved and three other programs were provided second year funding.

We therefore recommend increasing the minimum to 500,000 metric tons and assuring that this amount is available for proposals submitted by PVOs. To accommodate the additional tonnage the amount available for transporting the commodities would have to be lifted or increased.

*Example: International Relief & Development (IRD), Azerbaijan*

Commodities: 10,000 MT soybean meal; Total value: 2,125,467 (1 year).

Beneficiaries: 26,899.

IRD targeted Ganja, Goranboy, and Khanlar in western Azerbaijan, because in these regions there is a high concentration of internally-displaced persons (IDPs), the level of unemployment is close to 70%, and the local farmers and IDPs are poor and are not able to support their basic needs. Soybean meal monetization was chosen because of shortages of feed grains in the country. IRD trained farmers in crop and livestock production and market development and distributed small grants to start-up local businesses. HIV/AIDS awareness was also conducted in the targeted communities.

Results:

- Business development classes were provided for 1,532 farmers, in the town of Ganja and four local regions (Kahnlar, Geranboy, Samukh and Zakatala). As a result, farmers submitted business proposals to IRD, and IRD funded 106 of them.
- IRD published two leaflets, "Raising chickens in your backyard" and "Chicks' diseases and their prevention"; five handbooks on various agricultural topics: "Recommendations for sheep keepers," "Recommendations for cattle keepers," "Recommendations for beekeepers," and "Recommendations for chicken keepers."
- The total number of people who benefited from the small grants was 26,899. The farmers and small entrepreneurs formed several groups that were eligible for receiving grants. Recipients included 16 cattle breeding groups, 22 women poultry groups, 38 sheep breeding groups, two women geese groups, 19 agro-service groups, two harvesting groups, and seven beekeeping groups. Within a year, monthly income of beneficiaries at least doubled. Each of the 19 agro-service groups received approximately $5,090 and in the first year members provided services in their communities valued at $46,421.

**Monetization's Continued Contribution**

*Monetization is an important component of food aid programs and we support its continued use where appropriate, based on market analysis.*

Monetization is the sale of commodities in net food-importing, developing countries and the use of proceeds in projects that improve local food security. It can have multiple benefits and is appropriate for low-income countries that must depend on imports to meet their nutritional needs. Limited liquidity or limited access to credit for international purchases can make it difficult for traders in these countries to import adequate amounts of foodstuffs and monetization is particularly helpful in such cases. In all cases, the proceeds are used to support food security efforts or the delivery of food in the recipient country.

Monetization can also be an effective vehicle to increase small-scale trader participation in the local market and financial systems, can be used to address structural market inefficiencies, and can help control urban market price spikes. The commodity can also be integrated into agricultural processing operations, helping to establish and expand feed mills, fortified foods, and other locally-important products. For example, International Relief & Development used bulk wheat and soy flour provided through Food for Progress to establish small noodle production plants in Cambodia and the soy-fortified products were incorporated into school feeding programs. ACDI/VOCA used soybean meal donated by USDA to help reestablish the feed industry in Indonesia after the economic crisis. Both of these activities expanded local enterprise, increased jobs, and had a long-lasting food security benefit.

Market analysis is an important element of all food aid programs, but is more extensive for monetization programs. A "Bellmon Determination" is required for both monetization and distribution to make sure the commodities chosen will not interfere with local production and marketing and that there is adequate storage for the commodities provided. Commodities chosen for monetization are not locally produced, are produced in small amounts or are available only during certain times of the year. Therefore, the likelihood of creating local disincentives to production is small. However, some countries in a region have linked markets, so the analysis must also consider inter-country trade. For example, there is a Bellmon analysis that covers all the countries in West Africa.

As the potential disincentive effect of food aid is oft cited, but little researched, one study worth noting is by Abdulai, Barrett and Hoddinott [October 2005], which looks at disincentive effects of food aid provided in Ethiopia, the largest food aid recipient country in Africa over the 10 year review period. It received food for distribution and monetization. The study found no disincentive effect and note on page 1701 of the article: "In rural Ethiopia, simple test statistics. suggest that the disincentive effects of food aid on household behaviors are many, large in magnitude and statistically significant. However, when we take into account household characteristics. That can affect behaviors and on which food aid is commonly targeted—many of these adverse effects vanish. In fact, there is some suggestion in these data that food aid leads to increases in labor supply to agriculture, wage work, and own business activities."

Save the Children and World Vision prepared a review of the PVO monetization programs under Title II, covering six commodities in 30 countries and 48 programs from 2001–2005. They found that the commodity choice and quantities avoided competing with local production and marketing and therefore diminished potential disincentive effects. As the commodity levels provided were small in comparison to needs and required imports, the potential for commercial import disruption was also small.

*Example: Africare's P.L. 480 Title II Development Program in Guinea*

Africare began implementation of a 5 year Guinea Food Security Initiative (GnFSI) in the Prefecture of Dinguiraye in the Upper Region of Guinea in September 2000. This program represents an expansion of a very successful first phase program (1995–2000). This multi-sector program is currently operating in 50 of 84 districts of the Prefecture providing support to a population of 107,750 people.

Africare's program focuses on decreasing post-harvest storage losses, improving the nutritional status of children under the age of 5, and increasing the capacity of District Development Committees to understand and address the challenges to food availability, access and utilization. Dinguiraye is an area that prior to Africare's intervention, received no outside assistance and limited support from its own governmental ministries. Chronic malnutrition of under five children was in excess of 50% and the amount of food available to households was adequate for less than 4 months per year.

The program's positive impacts due to the introduction of improved storage techniques include adding a month to post-harvest storage without damage to commodities, and doubling the months when adequate food is available in the households.

Working with the Ministry of Health, Africare's nutritional program reduced chronic malnutrition rates from 50% to 21% and the number of caretakers of under five children that participate in growth monitoring, food demonstrations and guided health discussions increased to more than 90% of the population. The prospective for these activities to continue under the auspices of the Ministry of Health is strong, because they are low cost and very popular with the beneficiaries themselves. More importantly, the target population has had an active role in improving the methodology by which more nutritious foods are identified and made available.

The financial resources for the program are generated by monetization of Title II food commodities (approximately 4,600 MT's of vegetable oil during FY05 for Africare and two other PVOs). This innovative program promotes private sector development and broadening of local markets, both for producers and consumers, independently of the food security activities funded with the sales proceeds.

Vegetable oil was chosen for monetization because little is produced in country. The amount imported for monetization was small in comparison to import needs, which minimizes the likelihood of interfering with commercial imports. Further, vegetable oil availability is concentrated in the main city, not the outlying areas. Africare therefore arranged for the sales to reach the outlying areas through the sale of small lots to multiple buyers.

Africare worked with the Guinean Government and private sector to increase the involvement of small-scale distributors to have access to vegetable oil, which is usually sold at the high end of the local market. A consequence has been the increased distribution of vegetable oil throughout the country, outside of the capital and principal urban markets to key rural areas that had never been served. Cost recovery was at or above local prices and averaged about 87% of the full cost of U.S. procurement and shipping. This methodology included private sector sales techniques (e.g. closed tender bids, bank guarantees reflecting local interest rates and payment of required taxes by the buyer), and generated the following benefits:

1. Higher prices received from the buyers compared to if it was just sold to regular importers, which translates into a larger amount of sales proceeds to support the development activity.
2. Increased sophistication and understanding of commercial business practices by the private sector, especially the small-scale operator who was often unable to participate in these types of transactions (or even the formal financial system).
3. Increased availability of high quality commodities throughout the national market.

*Example: Joint Aid Management Processing Plants in Africa, USDA Programs*

One Alliance member, Joint Aid Management, is a Christian humanitarian organization based in South Africa that focuses on nutrition programs in schools and for the needy, assistance to orphans and vulnerable children, water and sanitation, skills development and community training. It established food processing plants to produce corn soya blend and other blended and fortified foods for use in its nutrition programs, including sales to the UN World Food Program and distribution through their own programs. While much of the food it uses is locally procured, it also participates in USDA food aid programs, processing donated commodities that are then used for nutrition programs. This is one of the ways that food aid programs allow the creative use of monetization to support local processing while also contributing to targeted food security programs.

**Pilot Program for Local/Regional Purchase**

*We recommend a field-based, pilot program for local purchases for famine prevention and relief.*

In-kind food aid continues to be the most dependable and important source of food aid. Commodities committed by and sourced directly from donor countries, which have more than adequate production to meet their domestic needs, is required to assure that sufficient levels food aid are available each year. However, there are situations where purchases closer to the area of need could provide more timely response, diversity of the food basket, and benefits to local agricultural development.

Members of the Alliance were under the impression that Title II gives broad discretion to the Administrator of USAID under section 202(a) to provide commodities under any terms or conditions deemed necessary for an emergency. Therefore, we

assumed local purchase was already possible, albeit not meant to be used on a regular basis. However, we understand that USAID interprets this section differently.

The Administration has proposed to provide up to 25% of Title II funds for local or regional purchase for emergencies. Many of the areas where food aid is delivered need additional commodities from imports to meet their needs and there may little room to expand on the local/regional purchase, considering the large amounts that the UN World Food Program is already procuring. Therefore, we recommend assuring adequate U.S. commodities are assured to meet the minimum tonnages under Title II and to add a field-based pilot program for local purchase.

While PVOs have experience using privately-raised funds and, to a limited degree, USAID International Disaster and Famine Assistance account funds for local purchases, information from these programs has not been systematically collected and therefore is inadequate to use for developing appropriate methodologies and best practices for future programs. Thus, as part of the 2007 Farm Bill we recommend a pilot program for local purchases for famine prevention and relief—

1. Within recipient countries or nearby low-income countries,
2. In cases where the procurement is likely to expedite the provision of food aid,
3. Where the procurement will support or advance local agricultural production and marketing, and
4. Conducted by PVO implementing partners that have experience with food aid programming in the recipient countries and are fully audited according to U.S. Government regulations.

To assure that accepted practices for food aid programs are followed and to identify appropriate methodologies and best practices for future programs, each PVO implementing a pilot program shall:

1. Prior to implementing a local purchase program, conduct an analysis of the potential impact of the purchase on the agricultural production, pricing and marketing of the same and similar commodities in the country and localities where the purchase will take place and where the food will be delivered;
2. Incorporate food quality and safety assurance measures and analyze and report on the ability to provide such assurances;
3. Collect sufficient data to analyze the ability to procure, package and deliver the food aid in a timely manner;
4. Collect sufficient data to determine the full cost of procurement, delivery and administration; and
5. Monitor, analyze and report on the agricultural production, marketing and price impact of the local/regional purchases.

**McGovern-Dole Food for Education**

The McGovern-Dole Program provides incentives for poor families to send their children to school. Requiring an appropriation of no less than $100,000,000 each year will give certainty that funds are available for multi year programs. These types of programs used to be included in Title II, but with the establishment of McGovern-Dole in 2002, such programs under Title II are being phased out. Increased funding would allow more multi year programs, improve program impact, and allow broader use of the authority in the law to support both educational programs and programs for children under the age of 5, which is when malnutrition can have its most devastating impact on child development.

**Eliminate Objectives That Link Food Aid to Expansion of Export Markets**

Policies and programs for U.S. and other international food aid should be established and operated based on the food security needs of recipient countries and vulnerable populations rather than donor country objectives to expand its export markets. In practice, U.S. food aid programs do not include objectives to expand U.S. markets and their success is not measured on this basis, but there are provisions in current law that state market expansion as an objective. Changes are needed to correct this problem: (1) Eliminate the statement in the preamble to P.L. 480 that it is the policy of the United States to use food aid to "develop and expand export markets for United States agricultural commodities." (2) In P.L. 480 Title I, eliminate the priority for countries that "have the demonstrated potential to become commercial markets for competitively priced United States agricultural commodities" and other references to using Title I for market development purposes.

**Conclusion**

In conclusion, Mr. Chairman, we can see the many benefits U.S. food aid programs are now creating for poor communities, improving incomes, living conditions and nutrition and sowing the seeds for a promising future.

Thank you for supporting these life-giving programs. I would be pleased to answer any questions you may have.

ATTACHMENT A

**Summary of PVO/Cooperative ("Cooperating Sponsor") Proposal Planning Process for P.L. 480 Title II Multi-Year Assistance Programs (MYAPs) for FY 2007***

*FY 2007 Title II Proposal Time Line*

*February 22, 2006—Title II Draft FY 2007 MYAP Guidelines for Cooperating Sponsors* (CSs) were provided for submitting new program proposals. The Guidelines list eight evaluation criteria that will be used for grading proposals.

The Guidelines state that activities must fit within the Food for Peace (FFP) Strategic Plan 2006–2010, which focuses on reducing food insecurity in vulnerable populations and is available on the USAID/FFP website. A variety of activities may fall under this overall objective, such as natural resource management, income security and social services, community development, agriculture development, employment-labor-training, food and nutrition, disaster prevention and relief. Proposals must clearly describe each objective, its rationale and implementation plan, and the method for tracking and measuring impact.

There is a section in the Guidelines called "legislative mandates for type of commodity, programming and program size," but no mention is made of the 1,875,000 metric ton minimum requirement for non-emergency programs. No information is provided about the amount of funding available or the tonnage level available for MYAPs. However, simultaneously, the USAID FFP Office issued a "*priority country plan*" that made clear that there would be little, if any additional commodity available overall and it the amount available for all non-emergency programs would be approximately 750,000 MT ($350 million).

*The priority country plan* was introduced at meetings between the FFP Office and CSs. USAID informed CSs that for FY 2007, new programs will only be accepted in 15 "priority countries," while for FY 2006 there were 32 countries. Multi year programs that were underway in the 17 countries not on the priority list would be phased out over the next 2–3 years, requiring changes in many of the already-approved program plans.

CSs were advised to check with the USAID Missions in each country and the USAID/Food for Peace Office (FFPO) to find out how much commodity would be available. However, the amount available was not clear in any case, as USAID kept adjusting the levels downward over the next 6 months.

*May 1, 2006, a final set of Guidelines was published,* which were similar to the February 22 draft, but specifically reference the "priority country plan" for phasing out 17 countries and identifying the 15 countries where programs will be allowed.

*May 15, 2006—Proposals are due.* [They were originally due on March 15th, but this was extended to May 15th.]

September 11, 2006—120 days after proposal submission and according to the law, the deadline for USAID/FFP to send approval or disapproval letters to CSs. Disapproval letters must include reasons and what needs to be corrected to be eligible. In the past, the CS and FFP would discuss the outstanding issues in a disapproval letter and after clarification, the proposal was often approved. An approval letter does not guarantee a program agreement will be signed. A Transfer Authorization (TA) must be signed before a CS can "call forward" (order) commodities and receive funds under the agreement.

CS Program Planning (typically starts 4 months or more before submission):

1. *Decision to write proposal.* CS headquarters and country office staff discuss whether a Title II program would be appropriate for a particular country. CS staff meets with the FFP representative at the USAID Mission in the recipient country or regional office to determine the Mission's views about Title II programs and whether the USAID Mission received notice from USAID/FFP that non-emergency (e.g. multi year) food aid will be made available for that country. A CS will also confer with other CSs operating in the country.

* These are commonly called "non-emergency" or "development" programs.

2. *Proposal preparatory work.* A team is developed to work on the proposal, which may in HQ and field staff as well as consultants. The skill sets include: (a) Ability to conduct a Bellmon analysis (e.g. to determine which commodities can be provided as food aid without having a negative impact on the local market or creating a disincentive to local production and to assure availability of adequate storage). Bellmons may be conducted through the USAID mission or in conjunction with other CSs working in the recipient country. (b) Technical skills in collecting baseline data, assessing nutritional and other information indicative of food security status, and knowledge of program interventions. (c) Country-specific knowledge and relationships.

3. *Needs assessment.* Identify the target population and needs broadly by available nationwide data and more specifically through a variety of techniques such as informant interviews, focus groups and weighing children. Collected data are combined with information and input from the USAID Mission, national and local governments, community-based groups and others to determine (a) which areas and populations the project will target and (b) what information to collect in the baseline survey (which, if the proposal is approved, is updated at the project start-up when the detailed implementation plan is developed.) Baseline survey data may include percentage of children under age 5 with stunting or underweight (the primarily measures of poor nutrition), adequacy of household food supplies, agricultural productivity and sales, and other indicators of food security. These indicators are also measured at intervals during the 5 year tenure of the typical program. Comparisons of baseline data to mid-term or final data are used to determine whether the program is making the progress intended, whether adjustments are needed in methodologies and to measure impact.

4. *Develop the core elements of the proposal.* Compile all data collected and begin to determine the following:

a. *Activities* that will address the constraints to food security, e.g. the situations and risks that threaten availability of food (such as the types and amounts of food available in local markets during different times of the year), access to food (such as household income levels), and utilization of food (such as the degree of malnutrition/under-nutrition among children and women of reproductive age). As 100% monetization programs are no longer allowed, even if these types of programs are considered well suited to the needs, they cannot be proposed. Typically, a mix of monetization and commodity distribution activities are selected to achieve identified objectives.

b. *Commodity choice and frequency of deliveries* is based on the local context (what are people eating that is also available from the U.S. or what is needed to supplement diets), market analysis (what is appropriate to provide considering local market availability and conditions—reflected by the Bellmon analysis), and what other organizations may be distributing or monetizing. In addition, a nutritional analysis (i.e. number of calories and other nutrients in the food basket) is conducted based on the proposed commodities for distribution versus the nutritional value of the current typical food intake of the target population.

c. *Coordination of monetization with other CSs.* Sometimes CSs conduct monetization jointly and each of their corresponding proposals will have the same description of the monetization process. The commodity for monetization is determined based on the usual marketing requirements (e.g. patterns of commercial imports of the same or similar commodities) determined by USDA and the Bellmon Determination (e.g. identification of commodities that can be provided that will not interfere with local production and marketing and for which adequate storage is available) conducted by CSs and in some cases the USAID Mission.

d. An *Initial Environmental Estimate* is prepared, which accounts for potential environmental hazards the project may encounter and conforms to USAID/FFP Guidelines.

e. The *program implementation plan* that will be used, including the evaluation and monitoring methodology and impact indicators that will be measured.

5. *Prepare a rough draft and present it to the USAID Mission* for feedback to ensure that the program continues to be in line with the USAID Mission objectives.

6. *Finalize proposal.* This is often done at HQ and includes:

a. Collect *letters of support* from the USAID Mission, local government, relevant non-governmental organizations and other entities that are counterparts in the project and are important for sustainability or may provide services such as supervision and/or storage for commodities.

b. Prepare the *Annual Estimated Requirements (AER)*, which reflects the commodities and tonnage levels for each activity and schedule of delivery, is the basis for "call forwards" (commodity orders) and must be approved by the USAID Mission.

c. Complete and *submit the proposal* in accordance with USAID Guidelines, which are available on the USAID/Food for Peace website.

7. *Approval and call forwards.* The signing of the Transfer Authorization (TA) by USAID is the official approval of the program. Then, the CS is permitted to send call forwards for commodities based on the approved AER through the electronic Commodity Tracking System, which is monitored by FFP and USDA. Prior to the 4th of each month, FFP informs a CS whether its call forward is accepted or denied. If approved, it will be included in that month's USDA/KCCO commodity purchase. Once the call forward is approved, typically the freight forwarder for the CS becomes engaged in monitoring USDA commodity procurement; tendering for shipping; seeking USAID/Transportation approval for the freight fixture and whether it is flagged U.S. or foreign (based on lowest landed cost of the commodity and freight combined and 75% cargo preference); and tracking the loading at U.S. port and the vessel's progress until the commodities are delivered to the destination port. Specific regulations govern the tendering, awarding and contracts for ocean freight.

8. *The CS's responsibility for the commodity begins when the commodity crosses ship's tackle as it is being loaded at U.S. port.* The CS has a marine survey conducted at the delivery port to assess any losses or damages. The survey must be submitted to USDA and used as the basis for any claims against the vessel owner. The CS is responsible for receiving and using the commodity according to the terms of its agreement with USAID.

9. *Monitoring progress against baseline data is required throughout the tenure of the program and annual reports are submitted to USAID with information about the levels received and used, monetization, progress to date and estimated requirements for the upcoming year.* In addition, evaluations are conducted midterm and at the end of each program and PVOs are subject to OMB Circular A–133 audit requirements for non-governmental organizations.

## Attachment B

### P.L. 480 Title II: Appropriations Compared to Actual Expenditures in U.S. Dollars and Section 416 Expenditures

[FY 2001–2008] *

| | FY01 | FY02 | FY03 | FY04 | FY05 | FY06 | FY07 (est.) | FY08 (Admin. Request) |
|---|---|---|---|---|---|---|---|---|
| Title II Appropriations | 835,200,000 | 945,000,000 | [a] 1,809,575,000 | 1,185,000,000 | [a] 1,415,000,000 | [a] 1,632,000,000 | [b] 1,675,000,000 | 1,219,000,000 |
| Title II Actual Program Level [c] | 925,900,000 | 1,039,100,000 | 1,881,000,000 | 1,670,100,100 | 1,668,000,000 | 1,773,000,000 | 1,765,000,000 | N/A |
| Sec 416(b) [d] | 1,103,000,000 | 773,000,000 | 213,000,000 | 173,000,000 | 147,000,000 | 20,000,000 | 0 | 0 |

* Updated: May 7, 2007.

[a] FY03 Includes supplemental of $369 million; FY05 includes supplemental of $240 million; FY06 includes supplemental of $350 million.

[b] FY07 Final Continuing Appropriations of $1,215,000,000 and assumes FY07 Supplemental Appropriations of $460,000,000, which was in the bill passed by Congress that was vetoed and is now being revised.

[c] Actual levels include appropriations, maritime reimbursement and carry-in funds and represent the amount actually reported as expended by USAID.

[d] Section 416(b) is funded through the Commodity Credit Corporation and is not subject to FY appropriations. It is shown because until FY03, the commodities were often used for emergencies, supplementing Title II funding.

Mr. MCINTYRE. Thank you, ma'am. We have run over a good bit.

Ms. LEVINSON. I am sorry, sir.

Mr. MCINTYRE. That is all right. And we are happy for you to submit a full statement; plus I am sure there may be some questions. So feel free to supplement what you said in answering questions or in your further statement.

Ms. Reilly.

**STATEMENT OF ANNEMARIE REILLY, CHIEF OF STAFF, CATHOLIC RELIEF SERVICES (CRS), BALTIMORE, MD**

Ms. REILLY. Good afternoon, Chairman McIntyre, Ranking Member Musgrave and Members of the Subcommittee. Thank you for calling this hearing and for providing Catholic Relief Services with the opportunity to share our recommendations for strengthening food security aid in the farm bill. We believe the reforms we propose today will improve our ability to reduce chronic hunger by making the current system more efficient and effective.

My name is Annemarie Reilly. I am Chief of Staff for Catholic Relief Services and with your leave I will summarize my written statement.

Operating in 98 countries around the world, CRS is the international development and relief agency of the U.S. Catholic community. For more than half a century we have worked in partnership with Food for Peace, expressing the goodwill of the American people through the food aid programs. The American people should be proud that the U.S. Government, through Public Law 480 Title II resources, is the largest food aid donor in the world. This program assists millions of people living on the edge to meet their daily food needs. In addition, the complementary cash support dedicated to strengthening livelihood systems improves their ability to feed themselves in the long term. For example, over a 5 year period CRS worked with a local partner to reverse severe environmental degradation and improve the livelihoods of 570 poor households in Legedini, a rural community of eastern Ethiopia. This assistance enabled one woman, Nuria Umere, to purchase an ox, seven goats and a cow, send one of her three children to school and help her husband to meet their household food needs. The success of this program is a direct result of the effective combination of food aid to meet immediate needs and cash for complementary livelihood support.

Catholic Relief Services and other private voluntary agencies are very supportive of the U.S. Government response to emergencies but this should not be done at the expense of the chronically hungry. We are offering some proposals to improve response to food emergencies while at the same time protecting resources for programs that address chronic hunger and its underlying causes. I would like to share with you two recommendations that CRS has developed in collaboration with sister PVOs CARE, Mercy Corps and Save the Children.

First, we believe that with some adjustments, the Bill Emerson Humanitarian Trust could become an invaluable backup in addressing food emergencies. The current mechanism for realizing the benefits of the Emerson Trust is cumbersome. We propose that, with Title II emergency resources when they have been exhausted

in a given fiscal year, additional emergency funding would automatically come from the Emerson Trust. Of course, we would need to ensure that the Emerson Trust is then replenished in a timely fashion. CRS is currently drafting specific proposed fixes for the Emerson Trust to make this possible. We also propose that the resources available for emergencies be increased to 50 percent of Title II.

Second, it is our position that if more cash were available through Title II, we would have greater efficiency and effectiveness in our programs to fight world hunger both chronic and emergency. We recommend that Section 202(e) Title II cash resources be increased to 25 percent of the overall Title II budget and that the law be amended to allow greater flexibility in its use for food aid program support.

CRS has three additional recommendations we would like to share. First, Title II export shipments are repeatedly bunched together early in the fiscal year with resulting delays and increased shipping costs due to demand for vessel space, just as my colleague, Ms. Levinson, has talked about. We think that there are ways to address this. Under our proposal, the Administrator can rely on the availability of Commodity Credit Corporation funds to contract for commodities and freight to meet programming needs in the next fiscal year prior to the actual enactment of an appropriation. CCC would be reimbursed promptly from the Title II appropriation or continuing resolution when it comes available. Second, we ask that Congress appropriate a realistic annual target of $2 billion for Title II per year. Furthermore, we propose that a minimum of $600 million, or 50 percent of total Title II resources, whichever is greater, be dedicated exclusively to developmental food aid to address chronic hunger. In other words, a safe box. Sufficient funding up front with simplified programming in the field eliminates delays and extra storage and transportation expenses, and would ensure more effective and dependable links with partners. Third, CRS supports the Administration's request for flexibility in the use of a portion of the Title II budget for local or regional purchase of food. We believe local purchase is an option worthy of Congressional support in situations where it can bolster local food security or contribute to faster and more appropriate response to an emergency. It can be more effective and efficient use of American resources in the right context.

In conclusion, I want to once again thank you, Chairman McIntyre, and all the Members of the Subcommittee for holding this hearing to respond to the needs of the hungry throughout the world. Our proposed changes to U.S. food security programs will make a potent program even more powerful in wiping out chronic hunger. By adopting these recommendations, you will enable Catholic Relief Services and other organizations that implement U.S. international food assistance programs to improve food security programs, alleviate hunger and save lives. Thank you.

[The prepared statement of Ms. Reilly follows:]

PREPARED STATEMENT OF ANNEMARIE REILLY, CHIEF OF STAFF, CATHOLIC RELIEF SERVICES (CRS), BALTIMORE, MD

Good afternoon Chairman McIntyre, Ranking Member Musgrave, and Members of the Subcommittee. Thank you for calling this hearing and for providing Catholic Relief Services the opportunity to share our insights based on our long experience of delivering and programming food aid for long-term development and emergencies.

My name is Annemarie Reilly, Chief of Staff for Catholic Relief Services (CRS). Operating in 98 countries around the world, CRS is the international development and relief agency of the U.S. Catholic Conference of Bishops. We represent the 65 million members of the U.S. Catholic community in a partnership with Food For Peace that has expressed the goodwill and compassion of the American people for more than half a century. The reforms we propose will improve our ability to reduce chronic hunger, unlocking the power of food security aid.

According to the World Food Program, more than 850 million people on our planet are suffering from chronic hunger. The American people should be proud that the U.S. Government, through P.L. 480 Title II resources, is the largest food aid donor in the world. These programs assist millions of people living on the edge to meet their daily food needs while also strengthening their livelihood systems to help them to help themselves over time.

For example, with 5 years investment of Title II food and funds, CRS worked through a local partner to reverse severe environmental degradation and improve the livelihoods of 570 poor households in Legedini, a rural community in eastern Ethiopia. Through support provided by USAID and CRS, this community has been able to use small-scale irrigation to grow marketable vegetables. They have also used this investment to develop small livestock herds and increase sales of milk, improve water and sanitation management, increase the engagement of women in microenterprise, and improve the nutritional content of family meals. Participants in a women's group have begun to save and to invest their savings in business activities that diversify their assets. One woman, Nuria Umere, has been able to purchase an ox, a cow and seven goats, and she is able to send one of her three children to school and help her husband meet their household food needs. The success of this program is a direct result of the effective combination of food aid to meet immediate needs and cash to support complementary livelihood support activities.

Title II resources are used to set up feeding programs in desperately poor communities around the world and are often coupled with agriculture projects, village banking schemes or other livelihoods enhancement efforts. Social safety net programs feed orphan-headed households and people who are too old or too sick to function in the local economy. Title II also provides food for maternal/child programs that combine food aid with prenatal and postnatal education and support. This is only a small sample of the variety of programs Title II supports to fight chronic hunger. Title II programs are extremely important to the families, communities and even nations that they serve.

Although these are significant efforts, there remains a huge unmet need. According to Food For Peace, the U.S. Government feeds only about 50 to 70 million of those 850 million chronically hungry people. We don't expect the U.S. Government to feed all of the world's hungry. CRS is working on recommendations for improvements to the Food Aid Convention, due to be renegotiated, which could ensure that more resources will be made available worldwide to fight hunger. We also invest significant private resources and funding from other donors to support livelihood systems that address chronic food needs. But given the enormity of the hunger program, more must be done. Yet, more and more of our Title II resources are being diverted away from programs that address chronic hunger in order to fund an increasing number of emergencies around the world.

Catholic Relief Services and other private voluntary agencies are very supportive of the U.S. Government stepping up to the plate to address emergencies, but not at the expense of the chronically hungry. We are offering some proposals to continue this vital work in responding to food emergencies, while at the same time protecting resources for programs that address chronic hunger and the underlying causes of that hunger.

As you are well aware, current law requires that 75% of Title II food aid resources be devoted to development (non-emergency) programs. Over the past several years, however, the Administration has consistently used the emergency provision to waive the 75% rule. The program percentages have now been reversed as developmental food aid programs are diminished or eliminated in many countries so that about 75% of commodities are used for emergencies year to year, while only about 25% remain for development.

**I. Recommendations From CRS, CARE, Save the Children, Mercy Corps**

We believe that the Bill Emerson Humanitarian Trust (BEHT) has played an important role in responding to acute hunger. Our first recommendation is that with some adjustments the Emerson Trust could become an invaluable tool in addressing food emergencies. Catholic Relief Services, along with our PVO colleagues CARE, Mercy Corps and Save the Children, propose that Congress change both the way the Bill Emerson Humanitarian Trust is used and the way it operates. When Title II emergency resources have been exhausted in a given fiscal year, additional emergency funding would automatically come from the Emerson Trust. We also propose that the resources available for emergencies be increased to 50% of Title II. Using the Emerson Trust first as an emergency back-up will also protect non-emergency developmental programs.

Of course, to make this system work, we need to ensure that the Emerson Trust is replenished in a timely fashion. Catholic Relief Services is currently drafting specific proposed fixes for the Emerson Trust that would make it a more effective component in the food aid arsenal in our fight against global hunger. The current mechanism for realizing the benefits of the Emerson Trust is cumbersome, the underlying authority is vague, long-term availability is uncertain, and the legal and policy constraints on accessing the Trust may conflict with long-term economic development goals. The Emerson Trust is in need of reform and the overall goal of such reform should be to make it a reliable source of food resources in emergency situations and one that may be accessed easily to mitigate the detriment to planned non-emergency development funding under Title II.

CRS is working with others to design three significant changes to the Bill Emerson Humanitarian Trust: (1) the orderly liquidation of current stocks in the Emerson Trust, so that it will hold only cash to acquire commodities as needed; (2) establishing a true Trust by allowing the cash to be invested in conservative short-term instruments; and (3) providing limited authority to Commodity Credit Corporation to replenish the Emerson Trust in a fiscal year.

Second, it is our position that if more cash were available through Title II, we would have greater flexibility in carrying out our programs to fight world hunger, both chronic and in emergency settings. The real causes of global food insecurity and hunger are complex and cannot be solved over the long term by the provision of food assistance alone. Responding more appropriately means that additional resources in the form of cash, both within and outside of Title II, are essential to support a variety of targeted activities that can more effectively address the root causes of vulnerabilities and risks that afflict hungry and food insecure populations. Current Section 202(e) law permits a small percentage of Title II to be used for program logistics, management and related costs. However, these allowable uses do not go far enough to serve as an effective critical cash support mechanism. Section 202(e) needs to be amended to allow greater flexibility in the use of the funds to include administrative, management, technical and program related costs to enhance the effectiveness of Title II commodities. The percentage of funding in an expanded Section 202(e) also needs to be increased to no less than 25% of the Title II program levels.

We could more flexibly use commodities and/or cash in Title II by using language patterned after the McGovern-Dole Food for Education and Child Nutrition Program. The McGovern-Dole Food for Education and Child Nutrition Program addresses the issue of cash resources with simple language that allows for a mix of commodities and cash for implementers to use to carry out the program. This has worked well as implementers are discouraged from monetizing commodities because it is much easier and more cost effective to use cash.

**II. Additional Recommendations From CRS**

The third recommendation for fighting chronic hunger is that the Congress must appropriate adequate funds for Title II. The consistent under-funding of Title II has required the annual passage of supplemental appropriations bills to cover some of the shortfall. These kinds of piecemeal appropriations for food through supplemental appropriations are disruptive to well-planned developmental programs and hamper emergency response.

Repeatedly, Title II export shipments are bunched together early in a fiscal year with the result that delays occur and shipping costs increase due to the increased demand for vessel space. One of the reasons for this "bunching" of shipments is that availability of funds for a fiscal year is not often known early enough to allow for efficient programming commitments and planning of purchases. Under our proposal, the Administrator can rely on the availability of CCC funds to contract for commodities and freight to meet programming needs in the next fiscal year prior to the ac-

tual enactment of an appropriation. Of course, CCC would be reimbursed promptly from the Title II appropriation or continuing resolution when it becomes available.

Fourth, we ask that Congress appropriate a realistic annual target of $2 billion per year for Title II. Furthermore, we propose that a minimum of $600 million or 50% of total Title II resources, whichever is greater, be dedicated exclusively to developmental food aid to address chronic hunger—in a word, to put this money for developmental food aid in a "safe box." The $2 billion figure is consistent with the U.S. share of annual needs for the last several years. Sufficient funding up front would simplify programming in the field, eliminate delays and extra storage and transportation expenses, and ensure more effective and dependable links with partners who look to the U.S., above all others, for life-saving aid. Designated funding would guarantee that we don't lose the fight against chronic hunger by diverting almost all food aid to emergency uses.

Fifth, CRS supports the Administration's request for flexibility in the use of a portion of the Title II budget for local or regional purchase of food. CRS endorses and undertakes the local purchase of commodities as a cost-effective tool for some emergency and non-emergency programs, when analysis of markets indicates it is feasible. CRS also engages in the use of vouchers to promote beneficiary acquisition of local food. CRS believes local purchase is an option worthy of Congressional support in situations where it can bolster local food security and/or contribute to faster and more appropriate response to an emergency. It can be a more effective and efficient use of American resources.

In conclusion, I want to once again thank you Chairman McIntyre and all Members of the Subcommittee for holding this hearing to respond to the needs of the hungry throughout the world. Our proposed changes to U.S. food aid programs are a sincere effort to help make a great program even greater. By adopting these recommendations CRS, and other organizations that implement U.S. international food assistance programs, can better promote food security, alleviate hunger, and save lives.

Thank you, Mr. Chairman. I would be pleased to respond to any questions that the Committee may have.

Mr. MCINTYRE. Thank you very much, and thank you for your eloquent words in the time prescribed. That worked out well.

Mr. Gillcrist.

**STATEMENT OF JOHN GILLCRIST, CHAIRMAN, BARTLETT MILLING COMPANY; DIRECTOR, NORTH AMERICAN MILLERS' ASSOCIATION; ON BEHALF OF AGRICULTURAL FOOD AID COALITION, KANSAS CITY, MO**

Mr. GILLCRIST. Mr. Chairman and Members of the Subcommittee, I am here today on behalf of the North American Millers' Association and a broad coalition of groups representing American farmers and food processors called the Agricultural Food Aid Coalition. I am here to express my strong support for the continuation of our time-tested and effective U.S.-produced food commodity donation programs. We are reaching 50 to 100 million malnourished people all over the globe every year.

I have seen these programs in action and they are remarkable. Our food aid clearly labeled "gift of the people of the United States" is a source of pride for Americans and is the most visible manifestation of the goodwill of the United States in the developing world. We also need to recognize that these programs are an essential part of our national security structure. The Agricultural Food Aid Coalition has drafted principles on food aid for Congress to consider when writing the farm bill. I would like to submit those for the record. In short, we strongly support the current structures of U.S. food aid programs. However, we recognize the need to constantly improve the efficiency and effectiveness of these programs such as pre-positioning food aid closer to recipient countries. But we do oppose the Administration's proposal to authorize the use of

cash for regional and local purchases of food aid commodities. The United States currently provides over 50 percent of the world's food aid, yet there is still a huge shortfall of aid for the 850 million chronically malnourished people in the world. Our in-kind donation system is working. Humanitarian donations of U.S.-grown, processed, fortified and inspected agricultural products have ensured that safe and nutrient-rich foodstuffs reach a broad array of people in need. In fact, in 2007, the Ethiopian Government actually prohibited the local purchases of cereal grains for humanitarian programs due to the price instability those purchases created. We must be certain that the large purchases of scarce food supplies don't actually harm the people we intend to help. We believe that in-kind food aid is the most dependable form of food aid, and the least susceptible to fraud and misuse.

Yes, American farmers, food processors and transportation companies benefit from current programs. One billion dollars of processed Title II U.S. food generates $2.7 billion in U.S. economic activity. If that same $1 billion was donated in cash, the U.S. would lose $2.7 billion in economic activity, and all the benefits accrued to that including jobs and the tax revenues it would generate.

I traveled to Ethiopia and saw how the food produced in American mills was making a difference in people's lives. We visited land reclamation projects that are successful in stemming erosion—growing trees and grass essential to building their homes and feeding their cattle. We also witnessed water basins villagers had hand dug to capture water during the rainy season to be used throughout the year. These catchments provided clean water for the village, and reduced the time and energy women and children spent carrying water—in some cases as much as 12 miles per day. The United States provided food which enabled the completion of these self-sustaining projects. Developmental projects like these are critical to addressing the underlying causes of poverty and chronic hunger which is the intended focus of Public Law 480 Title II. In fact, Congress requires that 75 percent of commodities procured for food aid must be committed to developmental programs. However, the Administration has waived this Congressional mandate routinely. We suggest that the Administration only be permitted to waive a maximum of 675,000 tons annually.

Developmental dollars are being redirected to fund an ever-increasing number of emergencies. We know emergencies will occur. The Bill Emerson Humanitarian Trust, now serving as a last resort, should be used as a more predictable and viable response for emergencies.

The McGovern-Dole Program fights hunger and promotes education. A school meal is often the only one these children get, and is the primary reason that parents send their children to these schools to begin with. We support full funding of this program. Public Law 480 Title I has operated very successfully for more than 50 years and we support its reauthorization.

In closing, rising world hunger and the resulting turmoil created begs for an expansion of U.S. food aid programs. U.S. food aid is the best weapon we have in our arsenal to demonstrate our true intentions, disarm our adversaries and establish America as the

world's undisputed superpower in the delivery of humanitarian assistance.

Thank you for letting me speak today.

[The prepared statement of Mr. Gillcrist follows:]

PREPARED STATEMENT OF JOHN GILLCRIST, CHAIRMAN, BARTLETT MILLING COMPANY; DIRECTOR, NORTH AMERICAN MILLERS' ASSOCIATION; ON BEHALF OF AGRICULTURAL FOOD AID COALITION, KANSAS CITY, MO

Mr. Chairman and Members of the Subcommittee, my name is John Gillcrist. I am the Chairman of Bartlett Milling Company, former Chairman and a current Director of the North American Millers' Association. Thank you for holding this hearing today on food aid and trade, two important elements of the 2007 Farm Bill.

I am here today on behalf of both NAMA and a broad coalition of groups representing American farmers, food processors, and agribusiness called the Agricultural Food Aid Coalition. NAMA is comprised of 48 wheat, corn and oat milling companies several of whom have been involved in P.L. 480 since its inception over 50 years ago.

I'm here to express my strong support for the continuation of our time-tested and effective U.S. produced food commodity donation programs. They are reaching millions of malnourished people all over the globe every year. Our great agricultural bounty should continue to be used as a powerful force for the good of food insecure people worldwide.

I have seen these programs in action and they are remarkable. In-kind food donations are a source of pride for American taxpayers, farmers, food processors and agri-businesses and express our sincere and long-term commitment to humanitarian assistance. Our food, clearly labeled "Gift of the People of the United States," is the most visible manifestation of the good will of the United States in the developing world. We also need to recognize that these programs are an essential part of our national security structure.

The Agricultural Food Aid Coalition has drafted principles on food aid for Congress to consider when writing the farm bill. I would like to submit those for the record, including the names of the organizations that support these principles. In short, we strongly support the current structures of U.S. food aid programs.

However, the members of the Agricultural Food Aid Coalition oppose the Administration's proposal to authorize the use of up to 25% of P.L. 480 Title II resources for regional and local purchases of food aid commodities. We believe that diverting such a significant amount of limited Title II resources for these purposes would be counterproductive. We must defend our in-kind donations because if the U.S. does not supply the food, who will? The U.S. currently provides over 50% of the world's food aid, yet there is still a global shortfall of food aid for the 850 million people who do not have enough food to lead healthy, productive lives. EU food donations have dropped significantly since they converted their food donations to cash. The World Food Program already purchases significant quantities of local and regionally produced food in emergencies. We must be certain that such large purchases of scarce foods don't actually harm the people we are intending to help. The law of unintended consequences can produce disastrous results in these largely unmonitored situations.

Our in-kind donation system is working. Currently, humanitarian donations of U.S. grown, processed, and inspected agricultural products have insured that safe and uniform foodstuffs reach disaster victims, refugees, people living with HIV and AIDS, mothers, children and communities in need. Furthermore, the U.S. Government, private voluntary organizations and the World Food Program take great care when they distribute or monetize our food to avoid commercial disruptions. Purchasing food locally and regionally has the potential to be both more market distorting and less rigorously regulated than food shipped from the U.S.

We believe that in-kind food aid is the most dependable form of food aid and the least susceptible to fraud or misuse. Programs such as pre-positioning of food commodities and processed products closer to recipient countries and expedited procurement and shipping procedures can increase the efficiency of in-kind food aid and cut down on the time and costs of responding to emergencies.

Yes, American farmers, food processors and transportation companies benefit from the current programs. Indeed, the farm bill is intended to strengthen the U.S. farm economy; scarce agricultural budget resources should benefit U.S. farmers and secure U.S. jobs. One billion dollars of processed Title II commodities donated generates $2.7 billion in U.S. economic activity. If that same $1 billion were donated

in cash, the U.S. would lose $2.7 billion in economic activity and all of the benefits accrued to that, including the tax revenues it would generate.

I traveled to Ethiopia and saw with my own eyes how the food produced in American mills was making a difference in people's lives. We visited a WFP land reclamation project near Nazeret. A group of Ethiopian villagers proudly described their project which consisted of terracing and planting the hills around their village in a successful effort to stem erosion, retain top soil, grow trees, attract wild life, and grow grass essential to building their roofs and feeding their cattle.

U.S. food aid was key in providing the sustenance that allowed them to complete this physically challenging project over 3 years. They thanked us repeatedly for the food we provided. They were immensely proud of the fact that they *no longer* relied on or received food aid due to the success and sustainability of their conservation project.

We also visited a water catchment project south of Addis Ababa. Villagers had hand dug a large water retention basin to capture water during the rainy season and to hold it throughout the year. This development project provided clean water for the village and reduced the time and energy women and children spent carrying water every day when they no longer needed to walk 12 miles. U.S. aid provided food during the construction of this catchment.

Development programs like these are critical to the goal of reducing chronic hunger and addressing the underlying causes of hunger and poverty, which is the intended focus of P.L. 480 Title II. In fact, Congress requires that of the 2.5 million metric tons of commodities that must be procured for food aid, 75% or 1.875 million metric tons must be committed to development programs in areas such as child nutrition, agricultural development, HIV/AIDS and micro-enterprise. In recent years, however, the P.L. 480 Title II development programs have not had a stable and secure funding stream because the Administration is waiving this Congressional mandate routinely instead of using their waiver authority, as it was intended, on rare occasions. We suggest that the Administration only be permitted to waive up to 675,000 metric tons of their development-tonnage requirements so that it can be assured that 1.2 million metric tons will be used for these critical programs. The crippling impact of HIV and AIDS in African communities makes the need for stable sources of funding for multi year programs that much more imperative.

Development dollars are being redirected to fund an ever-increasing number of emergencies. Although we cannot predict where these natural and man-made emergencies will occur, we know that they will occur. The Bill Emerson Humanitarian Trust, now serving as a last-resort, should be used as a more predictable and viable response mechanism for emergencies. To do that a robust mechanism to replenish the Trust must be in place.

In addition to P.L. 480 Title II and the Bill Emerson Humanitarian Trust, other U.S. food aid programs play an important role. The McGovern-Dole International Food for Education and Child Nutrition Program provides food to school children in the world's poorest countries and has established a proven track record of fighting hunger and promoting education. In countries where school feeding programs are offered, enrollment and attendance rates increase significantly, especially for girls. It is widely known that school attendance by girls has long-term benefits for them, their future children and their communities. A school meal is often the only one these children get, and the primary reason that parents send their children to school. We applaud Congress for funding this program and hope full funding will be available in the future.

P.L. 480 Title I has operated very successfully for more than 50 years. We support reauthorizing Title I, both in its original concessional sales role and as an additional funding tool for Food for Progress. Title I's concessional sales assist eligible governments' hungry and malnourished with humanitarian food aid resources and its Food for Progress program supports economic and agricultural development. Demand for Title I concessional sales and Food for Progress assistance continues through annual requests from eligible foreign countries and other applicants. Title I concessional sales should be reauthorized and offered to countries that can afford its terms.

The Food for Progress program operates under a number of constraints which Congress could address if funding were available. Perhaps the greatest funding constraint on Food for Progress currently is the lack of funds appropriated for the Title I portion of P.L. 480. We urge Congress to maintain authorization for Title I so that it continues to be an available food aid resource in the future for governments who are seeking U.S. food aid commodities and so the Food for Progress program can be maintained as a viable funding source for organizations seeking to promote private enterprise in emerging democracies.

The agriculture community has been and remains committed to working with the government to actively address issues to increase the efficiency and effectiveness of

U.S. in-kind food aid. One way to achieve this goal is to improve the current systems that the U.S. Government uses to procure and transport food aid commodities overseas as pointed out in the Government Accountability Office's recent report.

It is clear to me that the United States needs to expand foreign food aid programs to best demonstrate our true intentions and deeply held humanitarian beliefs to the rest of the world. Thank you for inviting me to participate in this hearing.

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AGRICULTUE FOOD AID COALITION

FOOD AID PRINCIPLES FOR THE 2007 FARM BILL

Submitted May 10, 2007

**1. Support Current Programs/Structure**

We support current structures of U.S. food aid allowing the bounty of U.S. Agriculture to be the fundamental resource for food security, development and humanitarian relief in developing countries. On that basis, we support the reauthorization of Public Law 480 Titles I and II, the McGovern-Dole International Food for Education and Child Nutrition Program, and Food For Progress.

**2. Continue In-Kind Food Aid & Oppose LRP (Local/Regional Purchase)**

U.S. Food Aid programs are a source of pride to American taxpayers, farmers, food processors and agri-businesses. We support continuation of U.S. in-kind food aid and oppose the diversion of funds from U.S. food aid program(s) for the purchase of products from other countries. Without the win-win nature of using U.S. food products as the base for the programs, the constituency will be lost and both appropriations in the U.S. agriculture budget and authorizations will be jeopardized.

- World Food Program (WFP) already uses significant amounts of LRP when they consider it justified and (based on their analysis) would not cause price inflation in local economies. Cash contributions from countries less able to share their in-kind bounty should be and are, used in emergencies or development situations when delays in arrival of in-kind food would result in humanitarian crises.
- The European Union, during their Common Agricultural Policy reform process converted their 'in-kind' food aid to cash contributions with two distinctly negative consequences. Their overall contributions to food aid went down (lack of constituency) and the timeliness of their cash contributions suffered. One WFP source was quoted as saying "it takes longer to get cash from some of the donors than it takes to get in-kind products in place."
- U.S. food products, identified as "*Gift of the People of the United States*" are one of the most visible manifestations of the good will of the U.S. to developing countries. It is not possible for such an identification to be made with hurriedly purchased local food.
- The procurement process for LRP, including insufficient methods to assure food quality and safety, will potentially give local and regional producers an opportunity to supply products under less rigorous standards than currently required by U.S. suppliers to food aid programs.
- We support increased efficiencies to cut down on time and costs of responding to emergencies, including the pre-positioning or advance purchase of U.S. commodities and processed products.

**3. Reauthorize Title I**

We support reauthorizing Title I of P.L. 480 both in its original concessional sales role and as an additional funding tool for Food For Progress (FFP). Demand for Title I concessional sales and FFP assistance continues through annual requests from eligible foreign countries and other applicants. Title I concessional sales should be reauthorized and offered to countries that can afford its terms. Without reauthorization, annual proposals from participating and interested countries could not be submitted, considered, or funded under Title I's concessional sales or its FFP authority, as they are allowed to do under current law. In addition, without Title I, the total amount of funding available for FFP would be diminished, leaving the Commodity Credit Corporation (CCC) as the program's only funding source. More details about Food for Progress are discussed below.

**4. Development Programs in Title II**

We support a prioritization for multi year development programs that contribute to long-term food security in developing countries and protection against disruptions of those programs due to diversion of development funds to emergencies.

- The original Congressional intent was that Title II be primarily used for efforts to combat chronic hunger and its effects. This was indicated in the requirement that 75% of the budget be used for such purposes denominated in minimum tonnages. This requirement is now "waived" annually, as 75% of the budget is now used for emergencies. We suggest that language be added so that USAID's authority to waive the statutory mandate be limited to no more than 675,000 MT of the non-emergency minimum tonnage yearly.
- Using development program funds as the 'first resort' for response to emergencies causes disruptions to planned or existing projects that have already been approved and deemed necessary to combat chronic needs in priority countries.
- Many of the criticisms of in-kind food aid: arrival timing, market disruptions, inefficiencies, and product bunching can be traced to the effects of diverting funds from development to emergency and/or the delay in decision-making on funding for development programs in anticipation of possible emergency needs.

**5. McGovern-Dole International Food for Education and Child Nutrition Program**

We support universal school lunch and child nutrition as a fundamental goal. We support the expansion of the successful McGovern-Dole Program based on the very beneficial impact it has had and can continue to have on school attendance, competition with schools that oppose U.S. interests and the positive impacts on learning when children are provided adequate food and nutrition. The program was able to fund just 11 out of 90 proposals that were received. This program enjoys widespread and deep congressional support and with U.S. leadership, it can be expanded dramatically.

- USDA has demonstrated an ability to administer this program admirably and its authority should be made permanent.
- We support full funding for the McGovern-Dole Program.

**6. Food For Progress**

If funding were available, we would support an increase in the minimum level of FFP to 500,000 metric tons (up from the current 400,000) and a freight expense cap (currently $40 million) that is high enough to allow the minimum to be met. The demand for programs to support economic and agriculture reform far exceeds our current capacity to fund good projects; 114 proposals for FFP were submitted for FY 2007, but only 12 were approved. The freight cap should not arbitrarily prevent approval of projects that can have dramatic positive impact.

**7. Bill Emerson Humanitarian Trust**

We support the more predictable use and full replenishment of the BEHT to make its use a timely, viable response to emergencies. Because the small amount of partial replenishment that is currently allowed comes from the succeeding year's budget, the Administration is reluctant to use this tool as a first response to emergencies.

- An automatic reimbursement/replenishment up to the amount used in emergency situations should be in place, without diminishing subsequent year's budgets for other needed food aid programming.

**8. Monetization**

We recognize the need for cooperating sponsors who administer and distribute food aid programs to have both food and cash to implement their programs. We support appropriate monetization where it is shown to not cause disruption to local and international markets.

**9. Reauthorize the Food Aid Consultative Group (FACG)**

We support continuing the FACG. We are concerned, however, that the FACG today serves more as a resource for reporting food aid information than for providing interactive input between food aid system stakeholders and the implementing agencies of the U.S. Government. We support clarifying language to restore and strengthen its role in providing interactive input among stakeholders and to clarify its membership to include all food aid system stakeholders.

**10. HIV/AIDS and Nutrition**

We encourage the appropriate integration of U.S. food aid programs with PEPFAR initiatives.

**11. Increased Efficiency and Effectiveness in Food Aid Programs**

As noted in the recent Government Accountability Office report on food aid, we encourage initiatives to reduce the lag time between needs assessments and product delivery in U.S. food aid emergency procurements. We also recommend the lifting of arbitrary limits on storage expenses for the pre-positioning of products for emergency response. The agriculture community has been and remains committed to actively addressing issues to increase U.S. food aid effectiveness.

*American Soybean Association;*
*Global Food and Nutrition, Inc.;*
*International Food Additives Council;*
*National Association of Wheat Growers;*
*National Barley Growers Association;*
*National Corn Growers Association;*
*National Farmers Union;*
*National Oilseed Processors Association;*
*National Potato Council;*
*North American Millers' Association;*
*USA Dry Pea and Lentil Council;*
*USA Rice Federation;*
*US Dry Bean Council; and*
*US Wheat Associates.*

Mr. SALAZAR [presiding]. Thank you, Mr. Gillcrist. I also would like to take the opportunity to welcome Mr. Wickstrom. As many of you know, he was my classmate when I was in the Colorado Ag leadership program and we spent several weeks here in Washington.

Mr. Wickstrom.

**STATEMENT OF CARY L. WICKSTROM, WHEAT FARMER; MEMBER, BOARD OF DIRECTORS, U.S. WHEAT ASSOCIATES (USW); IMMEDIATE PAST PRESIDENT, COLORADO WHEAT ADMINISTRATIVE COMMITTEE; ON BEHALF OF U.S. WHEAT ASSOCIATES' FOOD AID WORKING GROUP, ORCHARD, CO**

Mr. WICKSTROM. Thank you, Congressman Salazar, and Ranking Minority Member Musgrave and Members of the Committee. My name is Cary Wickstrom. I am a 4th-generation wheat farmer from northeastern Colorado. I am currently immediate past President of the Colorado Wheat Administrative Committee. I serve on the U.S. Wheat Associates' Board of Directors. During this time I have been a Member of the U.S. Wheat Food Aid Working Group. That group includes representatives from U.S. Wheat as well as the National Association of Wheat Growers.

The philosophy of the U.S. Wheat Food Aid Working Group is very simple: keep the food in food aid. The Food Aid Working Group and the foreign offices of U.S. Wheat work closely with private volunteer organizations both in the United States and around the world to ensure that wheat is used appropriately and efficiently. Through education, training and technical assistance, we try to ensure that the wheat that leaves the borders of our nation will be accepted by local millers and the indigenous populations of the countries in need.

The United States is the most generous nation in the world when it comes to food aid. As noted by Agriculture Secretary Mike Johanns' speech at the International Food Aid Conference in April, he said we give half of the world's food aid followed by a distant 10 percent given by the European Union, the second largest contributor. Of the food aid that the United States provides, wheat is by far the largest commodity supplied. It makes up to 40 to 50 percent on average of all food aid tonnage and it went to 30 countries last year. Sixty-two percent of the wheat in that 2005–2006 marketing year is hard red winter and hard white winter classes. These are the two classes of wheat that I grow on my farm.

Funding: The wheat industry encourages reauthorization of Title I of Public Law 480 funding as an additional tool to fund Food for Progress. We recommend no less than 1.2 metric tons under Title II programs which would require roughly $600 million to provide commodities and support funds. Specifically for Food for Progress programs, the wheat industry supports a minimum level of 500,000 metric tons and a freight expense cap, currently at $4 million, that would be high enough to allow this. The freight cap should not limit approval of Food for Progress projects. We also support the expansion of McGovern-Dole and full replenishment of the Bill Emerson Humanitarian Trust.

Wheat donations save and improve lives. With a global presence, the U.S. wheat industry is intimately familiar with the impact the agriculture community has on improving the quality of life for so many people in difficult conditions worldwide. The wheat industry has a strong commitment to food aid and humanitarian assistance. In Ghana, for example, wheat donations provided funding for local NGOs to reduce food and livelihood insecurity in 10 vulnerable farm districts in Ghana with the goal of reaching some 130,000 households in 250 farmer communities in the next 2 years. Involvement by the U.S. wheat industry through the USDA food aid programs contributed to improving the quality of life in rural communities including construction of schools and daycare centers, onsite school feeding for over 40,000 undernourished children and over 60,000 girls enrolled in primary schools. Studies indicate a direct link between alleviation of poverty and food insecurity through formal and informal education of girls and women. Developmental programs like these are critical to the goal of reducing chronic hunger and addressing the underlying cause of hunger and poverty—the focus of Public Law 480 Title II programs.

Efficiency and logistics: The efficiency and logistical problems of providing food aid have recently come under fire. It is important to point out in this discussion that bulk grain logistics and handling are simply quite different from bagged and processed products. The U.S. system for storing and handling bulk grain is exceptionally efficient. It is not uncommon to tender for, and deliver to, the end destination within 45 days. This system allows the buyer to take advantage of current world prices, not incur storage costs in another country, and ensure they receive the appropriate wheat for the end-use need.

Cargo preference: The Food Aid Working Group suggests it is time to revisit cargo preference laws. At a time when resources are strained, transportation costs should not exceed food costs. We understand the sensitivity of this issue, but feel it is time to evaluate international competition for freight and seek the opportunity to use as much of our U.S. dollars to feed the more than 850 million individuals in need of food as we can.

Attached to my written testimony is the Food Aid Principles for the 2007 Farm Bill, and that is supported by the Agricultural Food Aid Coalition. Also attached is the Food Aid Policy Statement that is approved by U.S. Wheat and the National Association of Wheat Growers.

Mr. Chairman, we know that U.S. growers produce the safest food in the world, and believe the bounty of U.S. agriculture should

continue to be a fundamental resource for food security, development and humanitarian relief in developing countries. We look forward to working with you again on this important issue as you begin to write the 2007 Farm Bill.

Once again, I would like to thank you for the opportunity to be here, and I would like to send my special thanks to Congresswoman Musgrave from Colorado. She represents 95 percent of the wheat production in Colorado. Colorado is fortunate to have such good leadership. We are well represented here today, obviously. Thank you.

[The prepared statement of Mr. Wickstrom follows:]

PREPARED STATEMENT OF CARY L. WICKSTROM, WHEAT FARMER; MEMBER, BOARD OF DIRECTORS, U.S. WHEAT ASSOCIATES (USW); IMMEDIATE PAST PRESIDENT, COLORADO WHEAT ADMINISTRATIVE COMMITTEE; ON BEHALF OF U.S. WHEAT ASSOCIATES' FOOD AID WORKING GROUP, ORCHARD, CO

Mr. Chairman and Members of the Committee, my name is Cary Wickstrom. I am a fourth generation wheat farmer from northeastern Colorado. I am currently immediate past President of the Colorado Wheat Administrative Committee and serve on the U.S. Wheat Associates (USW) Board of Directors. During this time I have been a Member of the USW Food Aid Working Group which includes representatives from USW and the National Association of Wheat Growers (NAWG).

The philosophy of the USW Food Aid Working Group is simple: Keep the Food in Food Aid. The Food Aid Working Group and the foreign offices of USW work closely with the Private Voluntary Organizations both in the United States and around the world to insure that wheat is used appropriately and efficiently. Through education, training and technical assistance we try to insure that the wheat that leaves the borders of our nation will be accepted by the local millers and the indigenous populations of the countries in need.

The United States is the most generous nation in the world when it comes to food aid. As noted by Agriculture Secretary Mike Johanns during his speech at the International Food Aid Conference in April, we give half of the world's food aid, followed by ten percent given by the European Union, the second largest contributor. Of the food aid that the United States provides, wheat is by far the largest commodity supplied. It makes up from 40–50 percent on average of all food aid tonnage and went to 30 different countries last year. Sixty-two percent of that wheat in the 2005/06 marketing year is of the hard red winter and hard white winter classes. These are the two classes of wheat that I produce.

**Funding**

The wheat industry encourages reauthorization of Title I of P.L. 480 funding as an additional tool to fund Food for Progress (FFP). We recommend no less than 1,200,000 metric tons (MT) under Title II programs, which would require roughly $600 million to provide commodities and support funds. Specifically for FFP programs the wheat industry supports a minimum level of 500,000 MT and a freight expense cap (currently $40 million) high enough to allow this. The freight cap should not limit approval of FFP projects. We also support the expansion of McGovern-Dole and the full replenishment of the Bill Emerson Humanitarian Trust (emergency food aid).

**Wheat Donations Save and Improve Lives**

With a global presence, the U.S. wheat industry is intimately familiar with the impact that the agricultural community has on improving the quality of life for so many people in difficult conditions worldwide. The wheat industry has a strong commitment to food aid and humanitarian assistance. In Ghana for example, wheat donations provided funding for local NGOs to reduce food and livelihood insecurity in 10 vulnerable farm districts in Ghana with a goal of reaching some 130,000 households in 250 farmer communities in the next 2 years. Involvement by the U.S. wheat industry through USDA food aid programs contributed to improving the quality of life in rural communities including construction of schools and day care centers, on-site school feeding for over 40,000 undernourished children, and over 60,000 girls enrolled in primary schools. Studies indicate the direct link between alleviation of poverty and food insecurity through formal and information education of girls and women. Development programs like these are critical to the goal of reducing chronic

hunger and addressing the underlying causes of hunger and poverty, the focus of P.L. 480 Title II programs.

**Efficiency and Logistics**

The inefficiency and logistical problems of providing food aid have recently come under fire. It is important to point out in this discussion that bulk grain logistics and handling are simply different from bagged and processed products. The U.S. system for storing and handling bulk grain is exceptionally efficient; it is not uncommon to tender for and deliver to the end destination within 45 days. This system allows the buyer to take advantage of current world prices, not incur storage costs in another country and ensures they receive the appropriate wheat for the end-use in need.

**Cargo Preference**

The Food Aid Working Group suggests it is time to revisit cargo preference laws. In a time when resources are strained, transportation costs should not exceed food costs. We understand the sensitivity of this issue, but feel it is time to evaluate international competition for freight and seek the opportunity to use as much of our U.S. dollars to feed the more than 850 million individuals in need of food as we can.

Attached to my written testimony is the Food Aid Principles for the 2007 Farm Bill supported by the Agricultural Food Aid Coalition. Also attached is the Food Aid Policy Statement approved by USW and the NAWG along with supplemental material on Cargo Preference.

Mr. Chairman, we know that U.S. growers produce the safest food in the world and believe the bounty of U.S. agriculture should continue to be the fundamental resource for food security, development and humanitarian relief in developing countries. We look forward to working with you on this important issue as you begin to write the 2007 Farm Bill. Thank you again for the opportunity to be here today. I am ready to answer any questions you may have.

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FOOD AID PRINCIPLES FOR THE 2007 FARM BILL

(Rev. Draft 5/4/07)

**1. Support Current Programs/Structure**

We support current structures of U.S. food aid allowing the bounty of U.S. Agriculture to be the fundamental resource for food security, development and humanitarian relief in developing countries. On that basis, we support the reauthorization of P.L. 480 Titles I and II, the McGovern-Dole International Food for Education and Child Nutrition Program, and Food For Progress.

**2. Continue In-Kind Food Aid & Oppose LRP (Local/Regional Purchase)**

U.S. Food Aid programs are a source of pride to American taxpayers, farmers, food processors and agri-businesses. We support continuation of U.S. in-kind food aid and oppose the diversion of funds from U.S. food aid program(s) for the purchase of products from other countries. Without the win-win nature of using U.S. food products as the base for the programs, the constituency will be lost and both appropriations in the U.S. agriculture budget and authorizations will be jeopardized.

- WFP already uses significant amounts of LRP when it is justified and (based on their analysis) would not cause price inflation in local economies. Cash contributions from countries less able to share their in-kind bounty should be and are, used in emergencies or development situations when delays in arrival of in-kind food would result in humanitarian crises.
- The European Union, during their Common Agricultural Policy reform process converted their 'in-kind' food aid to cash contributions with two distinctly negative consequences. Their overall contributions to food aid went down (lack of constituency) and the timeliness of their cash contributions suffered. One WFP source was quoted as saying "it takes longer to get cash from some of the donors than it takes to get in-kind products in place."
- U.S. food products, identified as "GIFT OF THE PEOPLE OF THE UNITED STATES" are one of the most visible manifestations of the good will of the U.S. to developing countries. It is not possible for such an identification to be made with hurriedly purchased local food.
- The procurement process for LRP, including insufficient methods to assure food quality and safety, will potentially give local and regional producers an opportunity to supply products under less rigorous standards than currently required by U.S. suppliers to food aid programs.

- We support increased efficiencies to cut down on time and costs of responding to emergencies, including the pre-positioning or advance purchase of U.S. commodities and processed products.

**3. Reauthorize Title I**

We support reauthorizing Title I of P.L. 480 both in its original concessional sales role and as an additional funding tool for Food For Progress. Demand for Title I concessional sales and FFP assistance continues through annual requests from eligible foreign countries and other applicants. Title I concessional sales should be reauthorized and offered to countries that can afford its terms. Without reauthorization, annual proposals from participating and interested countries could not be submitted, considered, or funded under Title I's concessional sales or its FFP authority, as they are allowed to do under current law. In addition, without Title I, the total amount of funding available for FFP would be diminished, leaving the CCC as the program's only funding source. More details about Food for Progress are discussed below.

**4. Development Programs in Title II**

We support a prioritization for multi year development programs that contribute to long-term food security in developing countries and protection against disruptions of those programs due to diversion of development funds to emergencies.

- The original Congressional intent was that Title II be primarily used for efforts to combat chronic hunger and its effects. This was indicated in the requirement that 75% of the budget be used for such purposes denominated in minimum tonnages. This requirement is now "waived" annually, as 75% of the budget is now used for emergencies. We suggest that language be added so that USAID's authority to waive the statutory mandate be limited to no more than 675,000 MT of the non-emergency minimum tonnage yearly.
- Using development program funds as the 'first resort' for response to emergencies causes disruptions to planned or existing projects that have already been approved and deemed necessary to combat chronic needs in priority countries.
- Many of the criticisms of in-kind food aid: arrival timing, market disruptions, inefficiencies, and product bunching can be traced to the affects of diverting funds from development to emergency and/or the delay in decision-making on funding for development programs in anticipation of possible emergency needs.

**5. McGovern-Dole International Food for Education and Child Nutrition Program**

We support universal school lunch and child nutrition as a fundamental goal. We support the expansion of the successful McGovern-Dole Program based on the very beneficial impact it has had and can continue to have on school attendance, competition with schools that oppose U.S. interests and the positive impacts on learning when children are provided adequate food and nutrition. This program enjoys widespread and deep congressional support and with U.S. leadership, it can be expanded dramatically.

- USDA has demonstrated an ability to administer this program admirably and its authority should be made permanent.
- We support full funding for the McGovern-Dole Program.

**6. Food for Progress**

If funding were available, we would support an increase in the minimum level of FFP to 500,000 metric tons (up from the current 400,000) and a freight expense cap (currently $40 million) that is high enough to allow the minimum to be met. The demand for programs to support economic and agriculture reform far exceeds our current capacity to fund good projects; 122 proposals for FFP were submitted for FY 2007, but only nine were approved. The freight cap should not arbitrarily prevent approval of projects that can have dramatic positive impact.

**7. Bill Emerson Humanitarian Trust**

We support the more predictable use and full replenishment of the BEHT to make its use a timely, viable response to emergencies. Because the small amount of partial replenishment that is currently allowed comes from the succeeding year's budget, the Administration is reluctant to use this tool as a first response to emergencies.

- An automatic reimbursement/replenishment up to the amount used in emergency situations should be in place, without diminishing subsequent year's budgets for other needed food aid programming.

**8. Monetization**

We recognize the need for cooperating sponsors who administer and distribute food aid programs to have both food and cash to implement their programs. We support appropriate monetization where it is shown to not cause disruption to local and international markets.

**9. Reauthorize the Food Aid Consultative Group (FACG)**

We support continuing the FACG. We are concerned, however, that the FACG today serves more as a resource for reporting food aid information than for providing interactive input between food aid system stakeholders to the implementing agencies of the U.S. Government. We support clarifying language to restore and strengthen its role in providing interactive input between stakeholders and to clarify its membership to include all food aid system stakeholders.

**10. HIV/AIDS and Nutrition**

We encourage the appropriate integration of U.S. food aid programs with PEPFAR initiatives.

**11. Increased Efficiency and Effectiveness in Food Aid Programs**

As noted in the GAO report on food aid, we encourage initiatives to reduce the lag time between needs assessments and product delivery in U.S. food aid emergency procurements. We also recommend the lifting of arbitrary limits on storage expenses for the pre-positioning of products for emergency response. The agriculture community has been and remains committed to actively addressing issues to increase U.S. food aid effectiveness.

*American Soybean Association;*
*Global Food and Nutrition, Inc.;*
*International Food Additives Council;*
*National Association of Wheat Growers*
*National Barley Growers Association;*
*National Oilseed* Processors *Association;*
*North American Millers' Association*
*USA Dry Pea and Lentil Council;*
*USA Rice Federation;*
*US Dry Bean Council*
*US Wheat Associates.*

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POLICY: U.S. WHEAT ASSOCIATES, NATIONAL ASSOCIATION OF WHEAT GROWERS

**Keep the Food in Food Aid**

- The U.S. wheat industry opposes any attempt in the World Trade Organization (WTO) or in any other venues to require that food aid be given as "cash only" instead of allowing donor nations to provide food directly as emergency and development assistance.
- The U.S. wheat industry supports funding food aid programs at levels no less than the amounts needed to provide food donation levels of at least 6 million metric tons annually, of which 3 million metric tons should be wheat.
- Wheat producer organizations continue to support the original intent that wheat held in the Bill Emerson Humanitarian Trust be used for its purpose to provide direct food aid and should not be sold back into the U.S. domestic market. Wheat producers urge the Administration to promptly replenish commodities released from the Bill Emerson Humanitarian Trust, in a timely manner.
- U.S. wheat producers believe that current programs administered by the U.S. Department of Agriculture are effective and should remain under USDA management.
- Wheat producers believe that, except in times of emergency, U.S. food aid programs should be comprised of U.S. produced food.
- Wheat producer organizations oppose withholding food aid for political purposes.

**Background**

Current international food aid oversight and requirements are sufficient and continue to work well. The WTO should only require that food aid programs not distort commercial markets and be consistent with guidelines of legitimate food aid organi-

zations. Food aid programs should be monitored by the food aid convention of the United Nations.

The international humanitarian community needs a reliable, steady level of food aid. In times of crisis, and when food prices rise, a commitment of minimum tonnages would help protect the most vulnerable recipients from harm. It would also allow agricultural producers and processors to plan for the provision of those foodstuffs. A commitment to minimum tonnages would also combat European arguments that the U.S. uses food as an export subsidy. It would assure food aid availability at adequate levels.

U.S. Government food aid is distributed by private voluntary organizations around the world. A broad spectrum of America, including farming, processing, transportation and distribution industries participate in the giving and handling of food aid. Food that America gives to the hungry is home grown and nutritious. To disconnect growing and handling of food from humanitarian food programs removes the involvement and interest of thousands of Americans and puts support for those programs at risk. By using American grown food in food aid, American hands and American infrastructure are involved throughout the entire operation, and we can assure and stand by the quality of the food that is delivered.

While the need for food aid has increased, U.S. donations continue to decrease. Food aid programs must be funded and allowed to function in ways that meet humanitarian and development needs.

**Regarding Cargo Preference**

A GAO report released April 2007:

- Pointed out the total annual value of the cost differential between U.S.- and Foreign-flag carriers averaged $134 million from fiscal years 2001 to 2005.

See page 30, GAO–07–560, *Foreign Assistance Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid.*

- "At current U.S. food aid budget levels, every $10 per metric ton reduction in freight rates could feed almost 850,000 more people during an average hungry season"[1]

See page 16, GAO–07–560, *Foreign Assistance Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid.*

**GAO Report**

*http://www.gao.gov/new.items/d07560.pdf*

Transcript of Remarks By Secretary of Agriculture Mike Johanns to the USAID International Food Aid Conference; *http://www.usda.gov/wps/portal?contentidonly=true&contentid=2007/04/0104.xml.*

Mr. SALAZAR. Thank you, Mr. Wickstrom.

Mr. Binversie, please, 5 minute rule.

## STATEMENT OF ROBERT BINVERSIE, VOLUNTEER, FARMER-TO-FARMER PROGRAM, KEIL, WI

Mr. BINVERSIE. Thank you, Mr. Chairman. My name is Bob Binversie. I am a retired dairy farmer and businessman from Kiel, Wisconsin. I started out as a dairy farmer taking over a 2nd-generation dairy farm, and after age 28 became allergic to cows on contact so I had to come up with a different occupation. Good excuse, too, for never going back. Now, my wife decided that she wanted to run the farm. She said this is the place to raise the kids. So, what we did was hire an employee to help us and I went into harvester sales, which gave me the background of working with people. In harvester sales, you being a farmer, you know it is an expensive piece of equipment. Not only do you have to sell the

[1] Based on USAID and USDA data, the Fiscal Year 2006 average commodity and transportation cost for 1 metric ton of food aid was $670. If that average cost had reduced by $10 per metric ton through a reduction in ocean transportation freight rates or any other cost factor, the Fiscal Year 2006 food-aid budget could have funded an additional 43,900 metric tons—enough to feed almost 850,000 people during a peak hungry season, which typically lasts 3 months.

product, you had to sell a way of life and how the person was going to pay it back. From there, I went into another sideline. We built housing projects for the elderly in Waupaca County, Wisconsin—148 units—acting as general contractor, which again gave me a lot of background to draw on. And I became a harvester dealer in Ohio for 5 years, which is some more background to draw on. My latest venture was starting a bank 10 years ago in my basement which has now grown into a half a billion dollars in loans through the State of Wisconsin, mainly to farmers—that was our niche—and small businesses, starting them out.

My wife has Pick's disease, which is like Alzheimer's Disease, so last year after about a 7 year stint with this, she had hit the point that she didn't know if I was going to be gone a day, a week, or a month, and we had traveled in the past. We had been to Russia, the eastern part of Europe and all of the western part of Europe, China, Japan, Brazil. So I had a real good feel for what is happening in this world. I told my children I said look—I have five children. They are all very successful in business. They really didn't need a 72 year-old man to tell them what to do anymore.

One of the Russians when I was in Russia asked me to come back and give him some advice on how they should run their farms, and this was just before the privatization of the farms took place in Russia. I was going to do it but after my wife got sick I dropped it. But, I took the challenge last year and contacted Norman Devorak, who had done a lot of volunteer work in the past. In fact, there were five volunteers that come within 20 miles of my home territory right now who are volunteers of Farmer-to-Farmer.

Now, what is Farmer-to-Farmer? It is an organization that deals with individual people in individual countries helping to solve their problems, and also businesspeople in helping to solve their problems. You know, we can throw food, we can throw everything at them, but we still have to teach someone how to get out of their rut.

If you can picture yourself—us right now tomorrow—our economy goes down the tubes, our farms are worthless, our bank accounts are worthless, everything is gone. This is exactly what happened with the privatization of the collective farm business. Seven years these people, that is what I felt, walked around in a trance not knowing where they should go and what they should do. After 7 years, the survivors start coming up. I was lucky enough to be sent to one of those survivors through the Farmer-to-Farmer Program. This man was milking 13 cows last spring when I got there and he was getting 250 pounds of milk out of these 13 cows. The lady that he had hired is paid $100 a month for milking these cows. She arrives at 6 in the morning, and she leaves at 10:30 at night. This year, when I got back, I suggested to him that he improve his handling, how he harvested. He had beautiful land. They just have no equipment and no money. So I said what you have to do is harvest your crops better and store them better. I personally gave him a $10,000 loan. I said "Lonnie, I want you to build a new bunker silo." He had an old contraption of a chopper that, Mr. Chairman, you being a farmer, you would appreciate this piece. It was a real relic, but he made it work. I said, "Now, get all the equipment and everything you need in order to get this bunker in

place. I am going to send someone else after me to help you design this bunker." He did it. This spring when I got back, his milk production from the same 13 cows was 500 pounds. The lady that is doing the milking, she said to me, "Can you help me out? I can't hardly bend my hands anymore because to get 500 pounds of milk out of a cow takes twice as many squeezes as 250."

I am going to help him. I brought him to the United States 2 weeks ago as a guest of mine—him and an interpreter. I showed him some very inexpensive milking parlors and I am going to help finance a milking parlor and a free stall barn for this man. We have bought some secondhand equipment for him, and we have bought milking equipment for him.

Mr. SALAZAR. Mr. Binversie, can you conclude your remarks?

Mr. BINVERSIE. Thank you.

[The prepared statement of Mr. Binversie follows:]

PREPARED STATEMENT OF ROBERT BINVERSIE, VOLUNTEER, FARMER-TO-FARMER PROGRAM, KEIL, WI

Thank you Mr. Chairman for inviting me to testify today on an important subject that has great value to our nation and to many developing countries around the World.

**What Is Farmer-to-Farmer?**

The John Ogonowski Farmer-to-Farmer Program provides voluntary technical assistance to farmers, farm groups and agri-businesses in developing and transitional countries to promote sustainable improvements in production, food processing and marketing. The Program relies on the expertise of volunteers from U.S. farms, land-grant universities, cooperatives, private agri-businesses and NGOs to respond to the local needs of host-country farmers and organizations. In general, these individuals are not overseas development professionals but rather individuals who have domestic careers, farms and agri-businesses or are retired persons who want to participate in development efforts. Typically, volunteers spend approximately 3 weeks on assignment, living with host families at the level of the local population.

The current FY04–FY08 extension of the Program will provide over 3,000 U.S. volunteers to 40 core countries. In the 22 years since it was first authorized by congress as part of the 1985 Farm Bill, Farmer-to-Farmer has sent more than 11,000 ordinary Americans from all 50 states and the District of Columbia, who have donated professional time worth an estimated $80 million, to work in over 80 countries. In so doing, FtF has become one of the longest-running and most highly-regarded U.S. Government initiatives abroad. Following the terrorist attacks of September 11, 2001, the Program was renamed in honor of John Ogonowski, the pilot of American Airlines flight 11 that crashed into the World Trade Center.[1]

**Funding**

The Farmer to Farmer Program is currently authorized as part of the 2002 Farm Bill (Farm Security and Rural Investment Act—FSRIA, P.L. 107–171). This authorization continues through FY 2007. The process is underway in the 110th Congress to reauthorize the farm bill which will include consideration for reauthorization of Title III, Agricultural Trade and Aid which includes P.L. 480 Food for Peace.

P.L. 480, the Agricultural Trade and Development and Assistance Act of 1954, has three food aid titles. Title I, Trade and Development Assistance, provides for long-term, low interest loans to developing and transition countries and private entities for their purchase of U.S. agricultural commodities. Title II, Emergency and Private Assistance Programs, provides for the donation of U.S. agricultural commodities to met emergency and non-emergency food needs. Title III, Food for Development, provides government-to-government grants to support long-term growth in the least developed countries. Title I of P.L. 480 is administered by USDA; Titles II and III are administered by the Agency for International Development (AID).

The FSRIA provides minimum funding for FtF at 0.5% of the funds appropriated for P.L. 480 programs. In actuality, under the current farm bill funds have been $10 million per year under Title II plus a declining amount of funds from Title I. Fund-

[1] U.S. Agency for International Development.

ing from Title I reached a high of $702,000 in 2003 and was $381,000 in 2006. These funds include a percentage of Title I appropriations plus "ocean freight differential" for the commodities shipped under Title I. In 2006 the total budget was $10,381,000.

In the 2007 Farm Bill, with Title I zeroed out and Title III dormant, the funding for Farmer-to-Farmer is potentially at risk of significant reduction.

**Personal Experience**

After turning my family farm over to my son in 1993, I had more free time on my hands. I had served in the army before buying my farm and then worked as an award-winning salesman for Smith Harvestore. Later, I also originated a community bank in Wisconsin, while continuing to work on the farm, so I was not accustomed to having free time on my hands. One of my colleagues from the community bank suggested I fill my time by volunteering with farmers from the former Soviet Union. That colleague had already made several trips to Moldova and hearing about his experiences motivated me, as well as some of our other friends and colleagues in Wisconsin, to want to visit the country and do what we can to help the people.

In April, 2006, I accepted the challenge and traveled to the Republic of Moldova to work with the Volodeni Dairy Cooperative through the Farmer-to-Farmer Program, implemented in Moldova, Ukraine and Belarus by CNFA, Inc. I was the first volunteer to ever work with this group of 280 dairy farmers but, soon after arriving, my translator, the cooperative leader, Leonid Platon, and I became a tight knit group, discussing various available low cost ideas and methods to improve the coop's milk sales and the health of their herds. I conducted training sessions with group members, visited numerous dairy farms in the community and met with the group's milk buyers to determine their quality and supply demands. During our work, which started at 5 a.m. and lasted till 11 p.m. every day, I realized that farmers are basically the same all over the world. We covered all aspects of dairy cattle housing, sanitation, nutrition, breeding and basic veterinary care. Although I soon finished my 3 week assignment and headed home, a bond had been forged and I had also found a new business partner and friend.

After I left, a variety of things happened. I provided Leonid with instructions and a $10,000 low interest loan from my own money and he set about building a modern silage bunker. I also worked with CNFA to craft subsequent volunteer assignments that would help push and develop the Volodeni Cooperative. The cooperative and CNFA kept in constant contact with me and the other volunteers who had worked with the group, to identify and solve small issues before they became large problems.

When I came back to Moldova for my second assignment in early 2007, I was amazed. The advice given by Farmer-to-Farmer volunteers had led to great results: increased milk yields, enlarged herds, improved cattle housing conditions and higher prices for clean milk. The cooperative achieved a $10,000 increase in milk sales and a nearly 40% increase in net profit in just 1 year. In turn, the farmers had created new jobs and increased payrolls by 31% as well, passing on their increased prosperity to the wider community.

While the impact on the local economy was gratifying for me and the other volunteers who worked with Volodeni, I felt we had gained even more ourselves by being taken into the Moldovan farmers' homes, families and rural life and by learning about their culture and traditions. I was eager to return the hospitality and give my Moldovan friends the opportunity to meet my family and experience our farm life back in the U.S., so this spring I personally sponsored my friend Leonid to visit me and several other volunteers in the U.S.. The trip was an opportunity for Leonid to learn more about American agriculture and meet the families of the volunteers who had made such an impact on him and his community. Upon his return to Moldova, Leonid hopes to use what he has seen and learned in the U.S. to build a modern milking parlor to serve his village.

I strongly believe in the help we have provided and the exchange between the two countries offered by the Farmer-to-Farmer Program. In all, the bridge between Moldova and Wisconsin established by that first colleague of mine has since drawn in a total of six Wisconsin farmers, neighbors and friends, including myself. Together, we have performed 13 volunteer assignments, contributed our own money to support the Moldovan farmers and raised charitable donations from our communities worth more than $30,000. As I like to say, "A candle loses nothing by lighting another candle".

**Benefits of the Farmer-to-Farmer Program**

My experience is but one example of the good work being done by Farmer-to-Farmer volunteers all over the world. Given its modest cost, the FtF Program generates remarkable impact, both at home and abroad.

*Economic Development*

The Farmer-to-Farmer Program emphasizes economic impact and has been very successful in bringing tangible economic benefits to farmers in the developing world. *Approximately one million farm families (representing about five million people) have been direct beneficiaries of the FTF Program since its inception.*[2]

Over just the last 3 years, as part of the current FY04–FY08 program, nearly 1,900 volunteer specialists have been fielded in support of 1,745 host institutions in 39 countries, including farm producers, agri-businesses, processors, retailers, exporters, input suppliers, cooperatives, associations, financial institutions, government agencies, NGOs and other agricultural sector stakeholders. Almost 80%, of host organizations assessed for impact of economic growth have reportedly adopted volunteer recommendations in some way and approximately *2.2 million direct and indirect beneficiaries* have reported measurable improvements. With the support of U.S. volunteers, they have realized an increase in gross annual sales of *$122.4 million* and in total annual income of *$17.9 million.*[3] The assistance the volunteers provide continues long beyond the original assignments, as well. My relationship with the Volodeni, Moldova dairy farmers is not unique. Eighty five percent of volunteers continue to have some kind of contact with the farmers and host organizations in the countries in which they volunteered.

*Promoting an Image of the American People*

Importantly, the program provides people all over the world the opportunity to get to know ordinary Americans. Each year, Farmer-to-Farmer fields approximately 650 U.S. volunteers who provide technical assistance to agriculture and agribusiness in 40 different countries. In addition to the technical assistance, the volunteers serve as *citizen diplomats* and carry the knowledge and culture of the American people directly to the public of the countries where they work. Hosts see volunteers caring and working hard for their development, which helps dispel many negative stereotypes about Americans that persist around the world. Moreover, they bring knowledge and understanding of those countries back with them to the U.S., conducting outreach and public information activities upon return to the United States and helping improve the American public's understanding of the world around them and of the challenges facing developing countries.

*International Trade*

FtF implementing organizations go beyond simply placing volunteers on an individual basis. They focus on development of specific market chains for which overall impact can be evaluated. FtF volunteers build institutions and transfer technology and management expertise to link small farmers with markets that capitalize on comparative advantages in production, processing and marketing. As these developing markets expand and become more sophisticated, not only are standards of living increased for FtF hosts, but new trade and investment opportunities are created for U.S. agri-businesses, making the FtF Program a sensible long-term investment for American agriculture. Volunteers have even helped to establish subsidiaries of U.S. companies where they volunteered, assisted their hosts to procure productivity and quality-enhancing inputs and equipment from the United States and fostered lasting partnerships between U.S. educational institutions, agricultural organizations and private sector companies and their counterparts in developing countries around the world.

**Concluding Remarks**

I thank you again for allowing me to share my thoughts and experiences on the Farmer-to-Farmer Program with you today. I truly believe that Farmer-to-Farmer represents a superb value for the taxpayers' money, achieving measurable results, increasing economic stability and sustainability in the developing world and empowering private enterprise as the engine of growth in agricultural production, processing and support services.

In the greater goal of promoting awareness, understanding and friendship between ordinary Americans and people around the world, we simply cannot do enough in this day and age. We need more of the Farmer-to-Farmer Program and

[2] U.S. Agency for International Development.
[3] Farmer-to-Farmer Mid-Term Assessment Report, by QED LLC.

other initiatives like it and I would like to encourage you to at least double the size of the Program in the 2007 Farm Bill and to fully fund it in the years to come.

Now, more than ever, America needs to show the world that our people care, are willing to give of themselves for the benefit of others and to work hard, shoulder to shoulder with our friends in developing countries, to improve their standards of living.

USAID
FROM THE AMERICAN PEOPLE

# JOHN OGONOWSKI FARMER-TO-FARMER PROGRAM MID-TERM ASSESSMENT

**February 2007**

This publication was produced for review by the United States Agency for International Development. It was prepared by The QED Group, LLC. The authors of the report include Team Leader Jeffrey Singer, Laura Burns, Elon Gilbert, and Roberta van Haeften.

# EXECUTIVE SUMMARY

The John Ogonowski Farmer-to-Farmer (FTF) Program is a fascinating and effective program that USAID has implemented around the world since 1985. FTF has numerous unique attributes as a volunteer program that strives to attain measurable economic results. The Assessment Team agrees with USAID's statement in the assessment's scope of work that "the program, in general, runs well" and would go further to state that the program generates excellent results while building strong personal relationships between American agricultural and agribusiness volunteer specialists and their host country counterparts. One volunteer summed it up as follows:

> *"I've loved every one of my 17 assignments. In fact, I get tears in my eyes just thinking about them. The support that I got in every project has been wonderful, before, during, and after assignments…It has changed my whole life."*

The assessment is not meant to be an evaluation of the program and the Assessment Team concentrated on the specific questions posed by USAID in the Mid-term Assessment Scope of Work, located in **Annex 2**. There are two purposes of the Farmer-to-Farmer Program Mid-term Assessment report:

1. **Provide guidance for designing and drafting the next Request for Assistance (RFA) solicitation for the FTF Program.** This included a review of the goals of the program and identification of how the program can be more effective.
2. **Identify best practices and problem areas so that the program can make mid-course corrections.** This was done in a manner that will hopefully allow FTF and its implementing partners (IPs) an opportunity to take stock of their implementation approaches, arrangements, and progress to date, and make changes that will improve overall performance.

The Assessment Team has organized this report in three sections to conform to the Assessment Scope of Work: **Component A - FTF Program Strategies**; **Component B - Implementing Issues**; and **Component C - Implementation Progress**. The report is meant to offer USAID and its IPs practical recommendations for both mid-term course corrections and guidance for the anticipated new RFA. The FTF program has been evaluated at various times, including a comprehensive evaluation in 2003, the NIS Program evaluation in 1996, and the Worldwide Program evaluation in 1994. The current Assessment Team made every effort to avoid duplication of previous efforts and coverage of issues previously discussed. It was designed to minimize the burden on the current IPs and our review of Implementation Progress was limited to existing documents.

A description of the assessment methodology is located in **Annex 3** and a summary of interviews conducted with a select group of volunteers is found in **Annex 9.** The Assessment Team encourages a review of the volunteer interview summary, as it offers interesting insight into the volunteers' perspective of the program.

### The John Ogonowski Farmer-to-Farmer Program

The Worldwide Farmer-to-Farmer Program, initiated in 1985 through the Agricultural Development and Trade Act, was designed as agricultural exchange program with the aim of transferring the knowledge and expertise of U.S. agricultural ***volunteer*** experts to their counterparts in middle-income and emerging democracies. The program has continued to be implemented throughout the last 20 years, with the New Independent States (NIS) program added in 1991 through a special initiative. The NIS and the Worldwide FTF Programs were unified in the 2002 U.S. Farm Bill. Throughout the 1990s the FTF Program was administered by USAID's Office of Private and Voluntary Cooperation with the Bureau for Democracy, Conflict, and Humanitarian Assistance; in 2003, the program management authority was transferred to the Economic Growth, Agriculture, and Trade Bureau (EGAT), Office of Agriculture and Food Security. NIS FTF Program activities were extended in 2003 while the worldwide program was competed through a new RFA to address EGAT's goal of "reducing poverty and hunger and promoting peace and prosperity in developing and transitioning countries."

FTF has undergone many changes since its inception in 1985, moving from a people-to-people exchange program

to a more traditional economic development activity. Throughout its evolution FTF has maintained a consistent focus on supporting farmers, agricultural support systems, and agribusinesses in emerging and developing countries through the placement of short-term U.S. volunteer agricultural specialists. The FTF Program's purpose is to assist developing countries, middle-income countries, and emerging democracies in the areas of agricultural technologies, agricultural policy analysis and reform, and improved human and institutional capacities, resulting in more competitive and efficient markets and improved effectiveness of farming and marketing operations. There are many characteristics and attributes of the FTF Program that the Assessment Team took into consideration when assessing the program's strategies, implementation, and progress, including:

- FTF is a long running program that is being implemented by USAID partners and their staff who in many instances bring years – and in some cases, decades – of FTF Program management experience.
- Unlike other programs, the FTF Program's purpose is defined by the Farm Bill. Therefore, a broad community of stakeholders is interested in the results and progress of the program, including the U.S. Congress, USAID/Washington, relevant USAID field Missions, USDA, and the U.S. agricultural community.
- The activities of the program are diverse and are implemented worldwide in about 40 countries through 11 Cooperative Agreements involving 8 different prime U.S. institution recipients. Many of the same U.S. private voluntary organizations have implemented FTF through the years, including ACDI/VOCA, Winrock, Land O'Lakes, Partners for the Americas, and Citizens Network for Foreign Affairs. These institutions each bring their own approaches, experiences, systems, and technical expertise to the program.
- USAID recently expanded the participation of Minority Serving Institutions (MSIs) seeking to strengthen the mentoring relationship between the traditional FTF IPs and MSIs, while also giving MSIs an opportunity to serve as prime recipients. The group of current prime recipients has been expanded to include Virginia State University, Florida A&M University, and OICI.
- Assistance is limited to short-term volunteer technical assignments with a program emphasis on targeted focus areas and sector impact.
- The volunteer nature of the effort provides a unique people-to-people dimension to this development program.
- While funded and managed by USAID/Washington, the program is implemented in the field, requiring cooperation and coordination among USAID's Office of Agriculture, the relevant USAID country Missions, and the IPs.

## Key Results

The FTF program has achieved significant results at the midway point of its implementation. A total of 1,887 volunteer agriculture and agribusiness specialists have been fielded to date worldwide in support of 1,745 host institutions, including farm producers, agribusinesses, processors, retailers, exporters, input suppliers, cooperatives, associations, financial institutions, government agencies, NGOs, and other agricultural sector stakeholders. A review of data reported by the program's implementing partners shows that the results to date (October 2003 – September 2006) include the following:

- 126,434 direct beneficiaries and 2,020,267 indirect beneficiaries assisted to date.
- $17,891,000 in increased incremental net income.
- $122,401,000 in gross sales generated.
- $33,284,000 in increased revenue from organizational capacity building.
- $10,084,000 increase in the amount of rural or agricultural loans.
- 42,232 hectares of land covered by improved natural resource management.
- $29,310,813 in leveraged resources through the value of volunteer professional time, in-kind contributions, and resources mobilized by hosts, grantees, and volunteers. This is approximately equal to the total funds estimated to be expended to date (approximately $30 million), meaning that FTF has successfully leveraged approximately one dollar for each dollar spent in support of targeted beneficiaries.

## Key Recommendations

The Assessment Team offers recommendations throughout this report on each of the topics presented in the scope of work. The team agrees with USAID's perception that FTF is a well-managed that has generated positive results. There are no serious problems with the program. Our recommendations are meant as practical suggestions to offer guidance on the program's continued improvement. Although it is not possible to present all of our recommendations in the Executive Summary, the following are the report's key recommendations:

- For the next RFA, USAID should continue its current practice of issuing separate cooperative agreements per region, with one prime implementer responsible for each region. Adequate funding should be provided per country to ensure a full-time senior in-country project coordinator; a full-time in-country administrative assistant; and an adequate critical mass of volunteers to ensure impact of the program. Should the FTF budget remain at approximately $10 million per year, then the total number of countries should be consolidated to ensure the appropriate level of resources per country with an FTF program.

- Focusing on specific focus areas – often commodities, value chains, or types of activities – has been positive for the program, and the focus area approach should be retained. In the next RFA, USAID should continue to concentrate the program along focus areas while better defining what is meant by a focus area.

- The selection of the correct focus area is critical. However, value chain analysis and other agricultural sector assessment techniques can be quite costly and are probably not cost effective for a short-term volunteer program. The program staff should adopt a balanced assessment approach in reviewing and selecting focus areas that relies on readily available documents, information, and assessments, and is based on informal stakeholder interviews. The balanced assessment approach should be conducted annually as part of the workplanning process and be able to produce answers to key questions as agreed upon with USAID.

- Over the next 18 months and into the future program, FTF should continue its transition to assignments focusing on market linkages with greater assistance up the value chain, including assignments focused on agribusiness development, processing, marketing, packaging, and backward and forward linkages. At the same time, it should be recognized that these focus points may take different forms in different countries and/or in different regions.

- FTF is still inherently a people-to-people program, even as greater emphasis is placed on development impacts. USAID needs to balance the program's people-to-people emphasis with FTF's development goals. IPs should continue to devote program resources to support people-to-people and public outreach activities even if it results in slightly higher costs per volunteer day. USAID should continue to encourage reporting on the program's human side through success stories, maintain its support for FTF branding, and keep supporting IP efforts to promote FTF and USAID assistance in both the United States and abroad.

- The IPs are required to report on both outputs and measurable economic impacts. For the next RFA, USAID should consider reducing reporting requirements to annual reporting; streamlining/consolidating the data reported through the eight FTF Tables; and placing greater emphasis on reporting against country program results frameworks. More immediately, USAID FTF may soon be asked to begin reporting on a new agency-wide set of indicators. USAID FTF should begin to examine, in collaboration with the IPs, how existing reporting can be modified in order to contribute to the agency-wide framework.

- FTF strategies and work plans should continue to be developed in collaboration with USAID in-country and relevant regional Missions. The IPs should engage in more active dialogue with the Missions to promote a process that is less passive and involves greater participation of USAID Mission personnel, ensuring a greater level of coordination between FTF and other USAID program activities. Mission staff should receive copies of the annual workplan as well as copies of semi-annual and annual reports.

- For the next RFA, USAID should re-examine the role of the HBCUs. Having them serve principally as recruiting agencies is probably not the best role for these institutions and may not be cost effective.
- Diversity of volunteers fielded is an admirable goal and one worth continuing to emphasize. USAID should also enable the IPs to strike a balance between first-time volunteers and volunteers who complete multiple assignments. Ultimately, IPs should be encouraged to find the most highly qualified volunteers, leading to the best results for host institutions, and generating the greatest impact for assignments.
- FTF should continue to explore greater collaboration with the private sector and other USAID and donor programs.

A summary of each of the key recommendations outlined in the final report is located in each of the applicable sections and **Annex 1.**

USAID | MOLDOVA
FROM THE AMERICAN PEOPLE

# SUCCESS STORY

## US Volunteers Lend a Hand to Moldovan Dairy Farmers

***American volunteers' contribution helps the whole community.***

Photo: CNFA

Leonid Platon (right), explaining the cooperative's annual financial results to volunteer Robert Binversie (center).

***"A candle loses nothing by lighting another candle"***

***Robert Binversie, Farmer-to-Farmer volunteer***

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Leonid Platon, a mechanic in Moldova, was as stunned as everybody else when the Communist system fell apart. Uncertainty, poverty and a lack of business skills left him struggling to feed his family in the early years of Moldova's independence. Putting his fears aside, he saved his money and forged ahead to start a small dairy farm. Milk is a source of both nourishment and income for a large number of Moldovan villagers. As an aggressive young man, Leonid soon became the leader of a group of dairy farmers. Today, the *Volodeni Dairy Producers Group* consists of about 280 dairy farmers from the neighboring Volodeni and Blesteni villages. It supplies three metric tons of milk daily.

Although Leonid is a strong leader and willing to tackle his problems, there were certain setbacks he could not overcome by himself. In April 2006, help came from across the ocean through the John Ogonowski Farmer-to-Farmer Program. The American volunteers had a difficult task: open minds and plant seeds of change. They inspired Leonid to continue farming, shared the experience of American farmers and suggested simple, cost effective ways to improve the group's operations. These lessons covered all aspects of dairy cattle housing, sanitation, nutrition, and basic husbandry. To encourage the growth of this project, Robert Binversie, one of the volunteers, contributed his own money to provide Leonid with a loan of $10,000, needed to build a modern silage bunker.

The implementation of volunteer recommendations led to great results: increased milk yields, enlarged herds, improved cattle housing conditions and higher prices for clean milk. They achieved a $10,000 increase in milk sales and a 39% increase in net profit for the group in just one year. The large increase in revenue translated to an increase in the payroll as well - permanent employees increased their incomes by 31% on average. However, this is nothing in comparison to lifting the spirits and creating a positive mindset in the Volodeni community.

As for Leonid, he has no words to express his gratitude for the helping hand, guidance and the push to work towards his goals. Leonid and Robert were even able to "reverse" the cultural exchange of the Farmer-to-Farmer program when, in spring 2007, Robert sponsored Leonid to come visit him and several other volunteers in the US. The trip was an opportunity for Leonid to learn more about American agriculture and meet the families of the volunteers who had made such a big impact on him and his community. Upon his return to Moldova, Leonid hopes to use what he has seen and learned in the US to build a modern milking parlor to serve his village.

USAID | UKRAINE
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# SUCCESS STORY

## Improving Vegetable Production in Ukraine

### Zaporizhya farmers find lucrative new markets with volunteer help

[Insert Photo Credit]

Peter Ferretti, FtF volunteer (left), worked for three weeks with Ukrainian farmers to improve their vegetable production skills.

*16 farmers in Zaporizhya oblast improved their vegetable production and business skills and began selling their products at higher prices to more lucrative markets as a result of a project funded by USAID. Due to FtF volunteer assistance, 207 people in the region increased their incomes.*

As Ukrainian farmers divided up the land of the former state-owned cooperatives, they realized how difficult it is to assume responsibility for the agronomic and business decisions required to succeed in private, commercial agriculture. In response, a project implemented by CNFA in the framework of the USAID-funded John Ogonowski Farmer-to-Farmer Program helped a number of Ukrainian farmers from Zaporizhya to increase their production of vegetables and improve their marketing efforts. As a result of this project, a group of 16 small Ukrainian farmers increased their net income, improved the quality of their vegetables and initiated contract sales to organized markets such as supermarkets and processors, rather than depending on the farm-gate traders that come to town during harvest season and had traditionally bought the group's crop in the past.

A total of fourteen American volunteers worked with three groups of farmers in Zaporizhya region over the course of two years. They shared skills in such areas as vegetable production, pest control, marketing and business planning with their Ukrainian counterparts. The production training helped the farmers to increase both crop yields and produce quality, while marketing assistance helped them obtain optimum prices and establish sustainable commercial relationships with reliable buyers. As a result, increased sales revenues brought greater profits for the farmers, who in turn created new jobs and raised the salaries of their employees.

With FtF volunteer assistance, a total 207 farmers and farm workers increased their incomes by almost 75%, or more than $460,000, over the 2-year life of the project.

The Zaporizhya Vegetable Farmers project exemplifies CNFA's efforts to bring the knowledge and good will of US agribusiness experts directly to their counterparts in developing countries, through the USAID-funded John Ogonowski Farmer-to-Farmer Program. Each year, CNFA implements approximately 85 FtF volunteer assignments in the countries of the West NIS – Ukraine, Moldova and Belarus.

USAID | BELARUS
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# SUCCESS STORY

## Helping Private Farming Take Root in Belarus

***Improved Technologies Help Farmers Increase Incomes***

Photo: CNFA
Farmer-to-Farmer volunteer John Balles introduces Integrated Pest Management to the members of the Grodno Fruit Growers Group

***In 2006, the growers reported over $230,000 in net income and paid more than $87,000 to 100 seasonal workers.***

Because of the healthy soil and a favorable climate, the Grodno area countryside has traditionally been a fruit production zone in Belarus. Through the John Ogonowski Farmer-to-Farmer Program, CNFA-Belarus started assisting small fruit growers in September 2005, providing technical assistance and training to 12 commercially-oriented private farmers. Over the past two years, the Grodno fruit growers and Farmer-to-Farmer volunteers have worked together with the goal of developing modern orchards that could produce a high quality crop, thereby increasing incomes for the farmers and their employees.

In fall 2005, FtF volunteer Randy Smith, a farmer from the state of Washington, provided training to 12 fruit growers in modern horticultural techniques to use in their apple orchards. In addition to teaching the fruit growers' modern orchard management practices, Randy Smith expanded his assignment to include marketing, storage, and technology issues.

In summer 2006, FTF volunteer John Balles, an experienced crop protection research manager from Michigan, introduced the farmers to Integrated Pest Management (IPM) techniques. IPM is a pest control system that combines monitoring pests, introducing their natural predators, using pest-resistant varieties and the careful use of pesticides.

Randy Smith and John Balles' work with the Grodno Fruit Growers has paid off. The improved orchard management and crop protection practices they introduced resulted in a 15% increase in production and sales revenue over 2005, which in turn led to an increase in net income of nearly $14,000 for the Grodno farmers. Now more prosperous, the group also created 10 new seasonal jobs and increased employee wages by an average of 30%.

The knowledge and skill gained from Farmer-to-Farmer volunteers gave the growers the help they needed to make more money and be successful in their role as pioneers of private farming in Belarus. USAID volunteers and Belarusian farmers worked together to increase not just their ability to make a living, but also their confidence, mutual respect and understanding. CNFA believes that the knowledge gained will continue to impact the growers and others like them for many years to come.

USAID | MOLDOVA
FROM THE AMERICAN PEOPLE

# SUCCESS STORY

## Moldovan Fruit Dryers Cut Energy Costs

American expertise helps Moldovan fruit dryers increase efficiency

Photo: CNFA
Volunteer Jim Valentine (on the right) and Vasile Camerzan, Moldovan fruit dryer (on the left) testing the converted drying oven.

***"I have worked my entire life in the food processing industry and thought I know everything about it. One day with Jim Valentine demonstrated that there is room for improvement", said Vasile Camerzan, Director of Camedones Fruit Drying Company***

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Twenty years ago, the cooperative Camedones would have been one of Moldova's main suppliers of dehydrated fruits and vegetables to the Soviet Union. However, with the collapse of the Soviet Union, open markets have brought in a flood of cheaper products. Now, after a period of abandonment and disrepair, the Moldovan drying industry has been experiencing a revitalization brought on by dedicated entrepreneurs.

Jim Valentine, a food processing expert from California, witnessed this gradual transformation first hand. Valentine, who first came to Moldova in late 2005 with the USAID Farmer-to Farmer program, volunteered to train Moldovan fruit dryers in modern drying technology. At first, he found old Soviet style drying tunnels that consumed too much energy and were too labor intensive. He also found a cooperative that was willing to take a chance on a foreign technology, in the hopes of lowering costs.

Jim gave them hope that they could increase the efficiency of their production and regain their dwindling market share. According to Jim, in order to stay competitive and remain in business, the Moldovan processors needed to take energy conservation into consideration; a third of the production cost was energy consumption and the farmers were not exploring other options.

Based on initial progress with two cooperatives in 2005, Jim returned in the summer of 2006 at the request of several Moldovan companies. Jim's plan was to help the companies redesign their drying operations and use energy efficient American technology.

By using direct gas heat to dry the produce, instead of indirect heat radiated through a kind of oven, Jim's method yielded a 50% savings in natural gas costs and 20% savings in electricity costs, while also speeding up processing time. The benefit from these improvements impacted a total of 565 farmers who supply raw material to the coop, 13 permanent employees and 65 seasonal workers. The cooperative's revenue increased by 100% to almost $100,000, which allowed it to double worker salaries. Within two weeks, Jim trained over ten fruit and vegetable processors in modern dehydration technologies and provided advice on how to optimize their production costs.

By donating their time to help these agribusinesses, consultants like Jim Valentine are doing their part to attend to the agricultural needs of the developing world. Initiatives like USAID's Farmer-to-Farmer Program provide technical assistance to value-adding enterprises, facilitating the expansion of cash markets for farmers and supplying these facilities with modern, effective and low cost improvements.

USAID | EL SALVADOR
FROM THE AMERICAN PEOPLE

# SUCCESS STORY
## Farmers Color their Fields with Flowers

**Coffee growers switch to flower cultivation as coffee prices fall**

Photo: Winrock International/Estrella Chavez

José Magaña, right, shows his new flower crops to USAID partners Ricardo Hernández, center, of Winrock International, and Edgardo Molina of Technoserve.

***With help from the USAID-sponsored Farmer-to-Farmer program, Salvadoran farmers are learning to tap into a fast-growing local demand for fresh-cut flowers.***

Farmers in El Salvador are combating an economic slowdown caused by the global drop in coffee prices with a unique tool: flowers. With help from the USAID-sponsored Farmer-to-Farmer program, Salvadoran farmers are learning to tap into a fast-growing local demand for fresh-cut flowers.

The Salvadoran cut flower market grew 15 percent annually between 1999 and 2005. Despite booming demand and an excellent climate for floriculture, 40 percent of fresh-cut flowers sold locally are imported.

José Magaña, a coffee grower-turned-flower farmer in El Salvador's Ahuachapán region, said the downturn in global coffee prices provided few incentives for continuing to grow coffee beans. "I started to investigate different programs of agriculture diversification," he said. While looking for alternatives, José found the Farmer-to-Farmer program, which requested a volunteer to come and help José and others like him.

Volunteers Richard Evans and Martin Connaughton came to Ahuachapán and began helping José and other farmers identify flower varieties that would thrive in the region's climate and farm conditions. They helped farmers build low-cost greenhouses with local materials like bamboo and taught them techniques for bulb planting, soil management, and curing bulb bacteria.

Today, José Magaña's farm is producing 40 dozen specialty cut flowers weekly, which he sells to local flower shops for $6 a dozen. In addition, José has hired 11 full-time workers. When he recovers his initial investment in 14 weeks, he plans to purchase more bulbs and build another low-cost greenhouse where he can produce flowers year-round. Due to the success of the project, it is being replicated by other farmers in the coffee region.

The USAID-funded Farmer-to-Farmer Program has helped farmers, producers, associations, and cooperatives in El Salvador raise incomes and create jobs for hundreds of Salvadorans.

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# SUCCESS STORY
## Better Food Safety for Better Health

**A volunteer teaches lab technicians updated and fast food safety tests**

Dr. Stephen Pao, left, teaches microbiology testing techniques to Zorayda Villalt, a laboratory technician.

***"It was a wonderful experience, we are now highly motivated to work after Dr. Pao's visit," said Ana Delmy de Melara, chief of the Laboratory of Integral Quality's Microbiology Unit.***

With a climate and soil ideal for agriculture, El Salvador's farms have long provided Salvadorans with income, jobs, and food. They grow the corn, rice, beans, and sugar cane that are staple ingredients in Salvadoran cuisine. But there is one ingredient that has often been missing in the country's agriculture sector: consistent food safety and quality standards. That's where the USAID-funded Farmer-to-Farmer program comes in.

With USAID assistance, volunteer Dr. Steven Pao, a professor at Virginia State University, came to El Salvador to train technicians in new methods and techniques for food safety analysis. The workshop, held at the Laboratory of Integral Quality, part of the Salvadoran Foundation for Economic and Social Development, included lectures on food microbiology, discussions, and practical training to more than 35 participants from private food companies, university labs, local organizations, and governmental offices. They received practical training on microbiological detection and investigation. Many of the topics covered were new to participants, and the workshop provided a good opportunity to boost public awareness of the importance of food safety and quality. In fact, local media interviewed Dr. Pao, reaching an estimated 350,000 readers through the newspaper alone.

The lab's focus on food safety is part of its effort to improve Salvadoran health, but there is also a business aspect: if food companies can comply with international food safety standards, they will be able to export more products, bringing added income into the country. With the passage of the Central American Free Trade Agreement, the potential for added income is significant.

Workshop participants reflected this potential through their interest and enthusiasm. "It was a wonderful experience, we are now highly motivated to work after Dr. Pao's visit," said Ana Delmy de Melara, chief of the lab's microbiology unit. Since the workshop, the Integral Quality Lab has implemented all of Dr. Pao's recommendations. One recommendation was to provide fast and reliable microbiology tests to give clients quick answers, benefitting both the food industry and Salvadoran health and wellbeing.

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USAID | AZERBAIJAN
FROM THE AMERICAN PEOPLE

# CASE STUDY
# Former Scientist Builds Apiary Business

Farming program helps farmer build a profitable apiary

Photo: ACDI/VOCA

Latif Ginyetoglu tends to his bees, which produce 12,000 kg of honey annually.

***"Without the volunteers from the Farmer-to-Farmer Program, I wouldn't be nearly as successful as I am today," Latif Ginyetoglu said.***

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**Challenge**

In the days of the Soviet Union, Latif Ginyetoglu studied chemistry at Moscow State University as an exchange student from Azerbaijan State University. After graduation, he worked in a lab in Moscow. In 1990 the Soviet Union collapsed, and support for various scientific institutions dwindled. Financially strapped, Latif returned to Baku, Azerbaijan, and worked for an energy research organization. As hyperinflation made his salary worth less and less, he had no choice but to return to his village, Bash Kujut. There, he taught chemistry in the local school and managed a small plot of land, some cattle, and 23 beehives. His income barely supported his family and parents.

**Initiative**

Since 1996, USAID has been funding a Farmer-to-Farmer program in Azerbaijan, designed to facilitate people-to-people learning and improve farm operations and agricultural systems. Latif was one of the first farmers to participate in the program. Over time, he hosted six volunteers who taught him about various aspects of beekeeping and how to expand his apiary business. One of the volunteers even invited him to the United States. Latif accepted and visited, using his own funds. In the U.S., he received advanced training in beekeeping.

**Results**

With ongoing help from volunteer farmers, Latif has made significant progress in developing his business. His production expanded from 23 beehives and 15 kg of harvested honey to 300 beehives and 12,000 kg of honey. Starting with a $700 loan from his brother, Latif built his small apiary into a successful business with an annual revenue of $120,000 that employs 13 permanent employees. He now has new equipment, hives, storage facilities, and trucks, all purchased from the honey profits. Latif not only improved his family's living standards — he has also turned his business into a prominent registered corporation. He credits USAID's Farmer-to-Farmer program, and the invaluable skills of its volunteers, with providing him with the skills and expertise needed to build his business.

THE DAILY DISPATCH

## Giving to Ghana

*By AL WHELESS, Daily Dispatch Writer*

Christine Klahn's trip to Ghana in June has inspired her and a friend to put on two-fund raisers in Henderson to help an impoverished orphanage in the West African country.

The first will be a combination fashion show and silent art auction that will be held sometime between Thanksgiving and Christmas.

The second will be a chocolate-tasting party that will take place close to Valentine's Day next February.

Sponsors and locations are being sought for both events, according to the 32-year-old instructor at Vance-Granville Community College. Helping Klahn with the two efforts will be Copper Rain, a retired Vance-Granville employee.

Contributed photo

Christine Klahn is surrounded by some of the field agents of Opportunities Industrilization Centers International. They were her students in organic agriculture classes she taught at the new Sullivan Training Centre in Tamale.

Klahn's personal mission to the Oregon-sized nation lasted three weeks and was not connected with the college. It was financed by Opportunities Industrialization Centers international, a private, non-profit organization.

She said VGCC also will not be involved with the fund-raisers for the Historic Adventist Orphanage. It was the poorest of three privately-operated homes for children that Klahn visited.

"We're looking for artists to donate their works for the silent auction," she said.

Those who want to send tax-deductible contributions to the cause can make their checks out to Opportunities Industrialization Centers International, Klahn added.

Her mailing address is P.O. Box 2281, Henderson, N.C. 27536. Klahn's e-mail address is sunflowerartistnc@yahoo.com.

Part of the money will be used to build a 35-bed dormitory for children whose ages are 4 to 18.

Also, the only building on the property will be converted into kitchen, dining and first aid clinic facilities, as well as a small sleeping area for a visiting doctor or nurse.

Currently, the children are sleeping in small rooms with very little storage space in the existing structure. Each room contains 12 bunk beds. All of the cooking has to be done outdoors in large kettles over. There is only one caretaker.

"I had never been to Africa before," Klahn said Friday during an interview. The trip was made possible through OICI's Farmserve program which sends professional volunteers to Ghana, Guinea, Mali and Nigeria.

The purpose is to teach food security, microenterprises, nutrition, health education and sanitation to people in mostly rural villages.

OICI is supported by the American government through grants from the Agency for International Development, the Department of Agriculture and the Department of Labor.

Klahn spent three days giving OICI field agents instructions in organic agriculture methods at the new Sullivan Training Centre in Kumbungu region of Tamale. She also helped plant a test plot of organic maize that was strip-crossed with cowpea.

During the mission, Klahn toured a successful mango plantation and visited three northern villages where different degrees of organic farming methods were being used.

OICI asked her to go back to Ghana next summer to help the Historic Adventist Orphanage through the Hope Program. It helps children whose families have been affected by HIV and AIDS.

When Klahn returns, Rain wants to accompany her. Klahn plans to build a chicken coop for eggs and start an organic market garden. She also hopes to teach jam-making, vegetable preservation and soap-making as micro-enterprises.

Rain and Klahn envision a link between the people of Kumasi in Ghana and Henderson's residents.

There are some "tragic similarities" between the two cities, according to Klahn. She said Henderson ranks high in HIV/AIDS and poverty in North Carolina.

"A community garden for the City of Henderson is next year's project, Klahn said. "Children will learn how to grow food sustainably, care for the earth and feel the pride of creating something special."

To get from Raleigh-Durham International Airport to the capitol city of Accra in Ghana took Klahn 24 hours, with stops in Washington, D.C., Frankfurt in Germany, and Lagos in Nigeria.

Because Klahn had to change planes in Washington, D.C., her luggage didn't make the flight to Frankfurt. She had to spend a day in Ghana without her suitcases.

The return trip to North Carolina was 34 hours long. It included an 8-hour layover in Frankfurt and a 3-hour delay in arriving at RDU.

"Most people in Ghana can't afford to fly anywhere," Klahn said.

Contact the writer at awheless@hendersondispatch.com.

**FOR IMMEDIATE RELEASE**

**USAID *Farmer-to-Farmer* Program and OIC International Provide Emergency Response to Avian Influenza Crisis in Africa**

Washington, DC, February 28, 2006

The deadly H5N1 bird flu virus was detected on a large commercial chicken farm in Nigeria, and became international news as the very first outbreak of Avian Influenza (AI) on the continent of Africa. That was February 8, 2006. Through cross-continental team work, telephone calls, and emails back and forth across cyberspace, the **United States Agency for International Development's (USAID) *Farmer-to-Farmer* program was able to respond within 24 hours** to the AI outbreak and urgent request for support voiced by the USAID Mission in Nigeria.

The John Ogonowski *Farmer-to-Farmer* Program is a USAID program that works worldwide, and seeks to send US farmers and farm educators to developing countries on short term training and outreach assignments. In this emergency response *Farmer-to-Farmer* worked with OIC International, one of its implementing agencies, located in Philadelphia, to scout and send an expert who could travel immediately to provide services to diagnose and assess the outbreak's scope and severity, and to develop outreach and training modules that could be used for education to prevent future outbreak. Through OIC International's recruitment network, OICI was able to find Dr. David J. Henzler who was qualified, available and enthusiastic to help. Dr. Henzler is a national expert in poultry medicine, whose credentials include being an epidemiologist and veterinarian who has spoken worldwide on poultry disease topics.

Dr. Henzler's three-week assignment includes meetings with key officials from the Government of Nigeria as well as international Non-Governmental Organizations who are part of the task force, such as World Health Organization. Key issues that Dr. Henzler is addressing include: working with local governments to discuss compensation for affected farmers, training farmers and outreach personnel on clinical signs of Avian Influenza, stamping out and sanitation, Biosecurity, and success stories from other countries affected by AI. Dr. Henzler is expected to train over 600 people by the end of his stay. Plans are also underway to replicate the training in Nigeria's southern region, as a preventative measure. The USAID Nigeria Mission commends *Farmer-to-Farmer* and OIC International for "responding in such a rapid and professional manner," and is looking for further support and continued partnership in the future, to combat this deadly pandemic.

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**Contact: Dr. Shirley Pryor; *Farmer-to-Farmer* Program Manager and CTO; United States Agency for International Development (USAID); 202-712-4086 (tel.); 202-216-3579 (fax); spryor@usaid.gov (email)**

Mr. SALAZAR. Your full statement can be submitted for the record.

First of all, let me just thank all of you for your commitment to ending world hunger.

Ms. Levinson, the combination of commodities and cash: What do you think the combination of commodities and cash would be optimum for the Emerson Trust that was primarily a response to food emergencies around the world?

Ms. LEVINSON. Thank you. Well, the Bill Emerson Humanitarian Trust currently can hold up to 4 million metric tons of commodities or an equivalent amount in cash, and that is toward—the cash can only be used for procuring the commodities. When the Trust is drawn down, the commodities are either released or cash can be used to buy on the market, and then CCC funds are used to pay for transportation and delivery. So in our view, the best and most efficient way would be to have cash in the Trust because at different times you need different commodities. Right now it holds about 915,000 metric tons of wheat and about $107 million and it is about ⅓ full, not at the 4 million metric ton capacity.

Mr. SALAZAR. Would that cash be used to buy just U.S. products?

Ms. LEVINSON. U.S. products, corn. I mean, actually in the past we have had a swap where we swapped wheat in 2003 for rice, and that was for Iraq. I think the best way to go rather than to have the swapping mechanism is to put the cash in there and hold it and have that available for emergency needs. But, it is not being replenished. That is one of the problems. Except the current supplemental legislation that you are voting on does have $40 million in it to help replenish it.

Mr. SALAZAR. Thank you.

Ms. Reilly, would you support a pilot project rather than the Administration's farm bill food aid proposal for local regional purchase of food for emergencies, and why or why not?

Ms. REILLY. Yes, we believe that local purchase or regional purchase can be extremely useful in the right context, and when this proposal was initially presented by the Administration we did advocate for pilot programs to really test the approach because there are also circumstances in which it can be a very dangerous approach. It can distort local markets, and there can be all sorts of other unintended negative consequences. So we do support a pilot approach. My particular organization has over 5 years of experience now with local purchase. We have purchased almost $7 million worth of commodities and we think there are ways in which it can be done.

Mr. SALAZAR. Thank you.

The next question is for both Mr. Gillcrist and Mr. Wickstrom. If the Trust were to be replenished, should replenishment be limited just to wheat as the statute permits, or should other grains such as corn, sorghum, and rice also be added and held in the Trust?

Ms. GILLCRIST. My personal opinion would be that the greater flexibility in the program that you allow, the greater the efficiency we will see in the results of the program.

Mr. WICKSTROM. I guess obviously my bias is toward wheat so we think that that commodity is better utilized around the world probably than some of the other commodities.

Mr. SALAZAR. Thank you.

Mr. Binversie, how do you think we can encourage more farmers to participate in the Farmer-to-Farmer Program?

Mr. BINVERSIE. Actually, just what we are doing—publicizing it a little more. What we did back home when I had these people there, we had all the state's press involved and the real thing on Farmer-to-Farmer is the benefit that is happening not only to Farmer-to-Farmer individually but as a community. These people when they see us and they see that we bear the same type of ideals and things that they are interested in, number 1, we all are interested in our families, and once they understand that America is also interested in families, then they have a face on it, it really helps.

Mr. SALAZAR. Can you also describe what the cost is of this program to the American taxpayers?

Mr. BINVERSIE. Well, how much would you pay me for my expertise? I am a volunteer. I do it for nothing. They just send me over, and pay the plane fare to take us over, and that is basically their cost.

Mr. SALAZAR. Is there a certain budget? Is there a certain amount per year that is established for this program?

Mr. BINVERSIE. This I can't tell you. You would have to ask the people in charge. But as far as the individuals themselves or volunteers like myself, we pretty much do it out of—we feel it is our obligation to do it, and out of the goodness of our hearts. Myself, I just felt I had too much talent at age 72 to sit and look at the four walls. I had started all these other businesses; why shouldn't I help people in undeveloped countries also start businesses? And, we start at the bottom. We don't try to get them to shoot at the Moon.

Mr. SALAZAR. Thank you.

One quick final question. I remember during the tsunami aid package that was sent out from this House where there was a big bundle of money that was initially sent out and given to the victims. I have great concerns that these countries then turn around and buy food or other products from other countries when you provide funding instead of providing food, and I am of the same bias that Mr. Wickstrom is. I mean, I think we should maybe try to provide food from this country because it would help the agricultural market. Could you make just a quick comment, any one of you?

Mr. BINVERSIE. Actually I am very biased in one thing. I do not believe in grants. Make an appropriation, but make somebody accountable on the other side. We have had an experience. Mr. Devorak, in the village just south of the one I had, he started a cooperative-type thing. Everybody was in charge. It failed. In my situation, I said I was going to have one person in charge and then have him start—in other words, let us start a business. Let us run it the way it is supposed to be run and charge them interest, and that is why I gave them that personal loan. It made him be accountable, and he thanked me for it, and so did all the other people that I talked to while I was over there, and I got as high as the Ministry of Agriculture.

Mr. SALAZAR. Thank you.

We recognize now under the 5 minute rule Mrs. Musgrave.

Mrs. MUSGRAVE. Thank you, Mr. Chairman. Cary, I saw in your supplemental information, you were talking about delivery of food aid, and two of the things that you mentioned might assist in that are pre-positioning and advanced purchase that would help us be more efficient in the delivery. Could you elaborate on those, please?

Mr. WICKSTROM. Well, some of the experts that are involved in this tell me that if we would expand our pre-positioning capabilities, we would be better able to deliver food on a timelier basis, and some of the logistics problems I think, in my testimony we had talked about cargo preference and I guess it seemed a little frustrating to me as a producer, and this might not be the only reason that it seems like we are spending huge amounts of money on transportation *versus* what the foods cost.

Mrs. MUSGRAVE. I know in your verbal testimony you talked about how the delivery shouldn't cost more than the food aid that we are sending. You talked about a very impressive delivery time of 45 days, and that is absolutely amazing. And then you also had some remarks in your supplemental materials about the E.U. wanting to use cash instead of commodities to feed people. You were saying it actually would take longer to get the monetary aid than the actual food aid in place. Could you speak about that a little more, please?

Mr. WICKSTROM. Well, I think we are getting criticized by the European Union, and I think it is easy for them to put pressure on us to go to cash only when in fact they are not donating that much food aid. So I think we have become a target because they realize that it is easy to complain about the amount of giving that we do, or our taxpayers in the United States, when in fact they don't give that much aid. So sure, they are going to be in favor of cash only. I mean, it would be frustrating to me as a producer to know that some of our tax dollars were buying wheat from, for instance, the French, to provide aid to the countries that may or may not have those labels on the bags that say it is a gift of the people of the United States.

Mrs. MUSGRAVE. A gift from the people of the United States. Thank you very much.

Thank you, Mr. Chairman.

Mr. SALAZAR. Thank you.

I now recognize the gentleman from Kansas, Mr. Moran, who has done an incredible job now serving his people back in Kansas after that major disaster. Thank you for your service.

Mr. MORAN. Mr. Chairman, thank you very much. I am not a Member of this Subcommittee, and it requires unanimous consent that I am able to be seated here and asking any questions. Assuming that you will give me that, I would like to direct a couple of questions to our panelists today.

Mr. SALAZAR. Without objection.

Mr. MORAN. Thank you. I am apologetic for the portions of the hearing that I missed. I now am a Co-Chairman of the House Hunger Caucus, and I am very interested in these international issues as well as domestic food stamps and nutrition programs in the United States.

Let me just make certain, having not heard all of the testimony of this panel, are there specific items that there is disagreement among the five of you? Was there any contention in your testimony, one to the other? I just want to sort that out.

Mr. GILLCRIST. Congressman, probably with respect to cash *versus* in-kind.

Mr. MORAN. And I assume that is the male side of the table and female side of the table although I think those are unrelated.

Ms. REILLY. Well, I think there is also some difference of opinion between the Alliance for Food Aid and CRS and some of our fellow other PVOs in terms of monetization. We agree that we both would like to see more cash to provide support for complementary livelihood activities, but I think we have some disagreement in terms of the role of monetization.

Mr. MORAN. Thank you very much.

I paid particular attention to Mr. Gillcrist's testimony because I know him well and hold him in high regard. In particular I wanted to give Mr. Gillcrist a moment to highlight, in his attachment, he talks about an appropriate integration of U.S. food aid programs in regard to HIV and nutrition. Mr. Gillcrist, you have visited with me about this in the past, and I wanted the record to indicate why you think this is important.

Mr. GILLCRIST. Thank you, Congressman. If you look at the dedication this country has had to helping others, and the history we have had in doing that, the PEPFAR program particularly was a program designed to address an increasing and devastating problem of HIV/AIDS in the world, but in the course of the development of that program it seems that nutrition was a side issue and not considered in the total context of a successful program. In other words, retroviral drugs in the treatment of AIDS are not successful without substantial diets and substantial nutritional help. So, when we look at a program like PEPFAR, which is a proposed $15 billion program, and compare that to a food aid program which is a $1.2 or $3 billion program the likelihood of success in doing the things that we need to do to address HIV/AIDS is limited, given the number of people beyond the scope of AIDS that are in dire need of nutritional assistance to begin with. So to integrate those two programs and to try to be successful in addressing both hunger and the HIV/AIDS program, the AIDS initiative has to have a substantial nutritional component to it.

Mr. MORAN. Is my understanding accurate that in the programs that the United States Government has in attempting to meet the nutrition needs of people around the world, we have Public Law 480 with Title I and Title II, the McGovern-Dole International Food for Education and Children Program, and the Food for Progress? Is that our basic array of weapons in fighting hunger?

Ms. LEVINSON. Yes, Mr. Congressman. First of all, the Public Law 480 Title I program of course is a loan program primarily to foreign governments, but that program has been zeroed out in the budget. A lot of that money had been used to back up what we call the Food for Progress Program, which is CCC funded, and the reason I want to bring that to your attention is that that means that as that has been zero funded, there is less money for Food for Progress as well, and that targets countries that are making eco-

nomic reforms. That is of great concern to us. We are doing agriculture programs there to improve the development of the private sector. So that is of great concern. The Title II program is a donation program primarily through private voluntary organizations like the groups I represent and Catholic Relief Service and through the World Food Program primarily, and it is our largest program, and I think all of us shared the concern. In fact, I know all of us agreed that the development side of that program is now anemic and really needs to be bolstered. The kind of programs that Mr. Gillcrist is referring to for nutrition for HIV/AIDS, targeting food security in those types of communities, those are what we call developmental food aid programs and we need more of it. And then, of course, McGovern-Dole Food for Education is a small program. It is $100 million. It is discretionary spending and it is particularly to encourage the attendance and enrollment of kids in school.

Mr. MORAN. Thank you. My time is expired, but if any of you have suggestions about the efficient operation of those programs, I would be interested in hearing that. As we look at the variety of options that are out there, is there any effort that needs to be made in the structural change of how we deliver food aid, food services and meet nutrition needs around the world in addition to your point that, my guess is that all of you have made, about the need for additional dollars?

Thank you, Mr. Chairman.

Mr. SALAZAR. Thank you, Mr. Moran.

I want to thank the panel for their enlightening testimony and we would invite the 4th panel to the table. We have been called for votes. This is a 15-minute vote, so if we can have the 4th panel join us at the table, I would appreciate it.

Thank you. For panel four, we have Mr. James Sumner, President of the U.S. Poultry & Egg Export Council on behalf of the Coalition to Promote U.S. Agricultural Exports from Stone Mountain, Georgia. We also have Mr. Patrick Ford, of Ford's Gourmet Foods from Raleigh, North Carolina. We would like you to summarize your testimony to a total of 3 minutes if you possibly could and then we would ask the Members of this Committee to submit questions for the record. Being as that we are called to vote, we do appreciate that. Thank you.

Mr. Sumner.

## STATEMENT OF JAMES H. SUMNER, PRESIDENT, USA POULTRY & EGG EXPORT COUNCIL (USAPEEC); ON BEHALF OF THE COALITION TO PROMOTE U.S. AGRICULTURAL EXPORTS, STONE MOUNTAIN, GA

Mr. SUMNER. Thank you, Mr. Chairman, Congresswoman Musgrave, it is a pleasure to be here. My name is Jim Sumner, and I am President of the USA Poultry & Egg Export Council, USAPEEC, we go by. We are a trade association that is dedicated to increasing the exports of U.S. poultry and egg food products. We have about 200 member companies that account for more than 95 percent of all U.S. poultry and egg exports. Today I am testifying on behalf of the Coalition to Promote U.S. Agricultural Exports of which we are a member.

The Coalition is an ad hoc committee of over 100 organizations representing farmers, ranchers, fisherman, forest product producers, cooperatives, small businesses, regional trade organizations and various state departments of agriculture. We believe that the U.S. must continue to have in place policies and programs that help maintain the ability of American agriculture to compete effectively in a global marketplace still characterized by highly subsidized foreign competition. Agriculture exports provide jobs for one million Americans, and make a positive contribution to our overall trade balance. U.S. agricultural exports are projected to set another record this year of $78 billion, up $9.3 billion over last year. However, exports could be significantly higher if it were not for a combination of factors including high levels of subsidized foreign competition and crippling trade barriers.

Members of our Coalition strongly support and utilize the Market Access Program, MAP, and the Foreign Market Development Program, FMD, which are administered by USDA's Foreign Agricultural Service. Both programs are administered on a cost-share basis with farmers and other participants who are required to participate with at least 50 percent of their own resources. These programs are among the few tools specifically allowed in unlimited amounts through the WTO rules for agriculture. By any measure, they have been tremendously successful and extremely cost-effective in helping maintain and expand U.S. agricultural exports to protect American jobs and strengthen farm income.

A recent independent cost-benefit analysis of MAP and FMD, which was prepared for USDA by Global Insight Incorporated, which is the world's largest economic analysis and forecasting firm, clearly illustrates the following benefits of increased funding for market development and promotion through these two programs. Number 1, the U.S. share of world agricultural trade since 2001 grew by over one market share point to 19 percent, which translates into $3.8 billion in agricultural exports. A second point is that for every additional dollar spent on market development, $25 in additional exports resulted within 3 to 7 years. And third, farm cash receipts have increased $2.2 billion during the 2002 Farm Bill due to the additional exports from market development. This translated into $4 increase in farm income for every additional $1 increase in government spending on market development. In fact, we would like to offer a copy of this independent study for the record if we may do so at a later time.

In contrast, to the roughly $235 million the U.S. spends annually, the E.U., the Cairns Group and other foreign competitors devoted approximately $1.2 billion annually on similar market development activities. A significant portion of that was even spent here in the United States. The E.U. and other foreign competitors have made it clear that they intend to continue to be aggressive in their export efforts. For this reason, we believe that the Administration and Congress should strengthen funding for MAP and other export programs as a strong trade component in the new farm bill, and also ensure that such programs are fully and aggressively utilized.

Perhaps the most important thing I am going to say here is the fact it should be noted that MAP was originally authorized in the 1985 Farm Bill at a level of $325 million and the Coalition strongly

supports returning the program to that authorized level of funding from its current $200 million level. We also urge $50 million annually be provided for the FMD program for cost-share assistance to help boost agricultural exports. This is approximately the amount that would be adjusted from 1986-level funding.

As I mentioned, I represent the poultry industry. We have done a number of things to utilize these funds. I wanted to give you a few examples. One such example, in 2005 we organized a donation of two containers of U.S. chicken leg quarters, which we donated——

Mr. SALAZAR. Mr. Sumner, could you submit the rest of those examples for the record? I would appreciate that, just because we are so limited in time and we have been called to vote and I think there is only 5 minutes left.

Mr. SUMNER. I would be happy to do so.

[The prepared statement of Mr. Sumner follows:]

PREPARED STATEMENT OF JAMES H. SUMNER, PRESIDENT, USA POULTRY & EGG EXPORT COUNCIL (USAPEEC); ON BEHALF OF COALITION TO PROMOTE U.S. AGRICULTURAL EXPORTS, STONE MOUNTAIN, GA

Good morning, Mr. Chairman. My name is James H. Sumner. I am President of the USA Poultry & Egg Export Council (USAPEEC), which is a trade association that is dedicated to increasing exports of U.S. poultry and egg food products. USAPEEC's 200 member companies account for more than 95% of all U.S. poultry and egg exports. Today, I am testifying on behalf of the Coalition to Promote U.S. Agricultural Exports of which we are a member. We commend you, Mr. Chairman, and Members of the Subcommittee, for holding this hearing to review our agricultural trade programs and wish to express our appreciation for this opportunity to share our views.

The Coalition to Promote U.S. Agricultural Exports is an ad hoc coalition of over 100 organizations, representing farmers and ranchers, fishermen and forest product producers, cooperatives, small businesses, regional trade organizations, and the State Departments of Agriculture (see attached). We believe the U.S. must continue to have in place policies and programs that help maintain the ability of American agriculture to compete effectively in a global marketplace still characterized by highly subsidized foreign competition.

With the 2002 Farm Bill, Congress sought to bolster U.S. trade expansion efforts by approving an increase in funding for the Market Access Program (MAP) and the Foreign Market Development (FMD) Program. This commitment began to reverse the decline in funding for these important export programs that occurred over the previous decade. For MAP, funding was increased over the course of the 2002 Farm Bill from $90 million annually to $200 million annually, and FMD was increased from approximately $28 million to $34.5 million annually.

Farm income and agriculture's economic well-being depend heavily on exports, which account for over 25 percent of U.S. producers' cash receipts, provide jobs for nearly one million Americans, and make a positive contribution to our nation's overall trade balance. In FY07, U.S. agriculture exports are projected to be $78 billion, up $9.3 billion over last year and up $25 billion since 2002. However, exports could be significantly higher if it were not for a combination of factors, including continued high levels of subsidized foreign competition and competition crushing trade barriers. Agricultural imports are also forecast to be a record $70 billion, continuing a 35 year upward trend that has increased at a faster pace recently. If these projections hold, agriculture's trade surplus is expected to be $8 billion, up $4.7 billion over last year but still a huge decline from the roughly $27 billion surplus of FY 96. In FY 99, the U.S. recorded its first agricultural trade deficit with the EU of $1 billion. In FY07, USDA forecasts that the trade deficit with the EU will grow to $7.6 billion, the largest agriculture deficit the U.S. runs with any market.

America's agricultural industry is willing to continue doing its best to offset the alarming trade deficit confronting our country. However, the support provided by MAP and FMD (both green box programs) is essential to this effort.

Both MAP and FMD are administered on a cost-share basis with farmers and other participants required to contribute up to 50 percent of their own resources. These programs are among the few tools specifically allowed in unlimited amounts

under World Trade Organization (WTO) rules to help American agriculture and American workers remain competitive in a global marketplace still characterized by highly subsidized foreign competition. The over 70 U.S. agricultural groups that share in the costs of the MAP and FMD programs fully recognize the export benefits of market development activities. By any measure, such programs have been tremendously successful and extremely cost-effective in helping maintain and expand U.S. agricultural exports, protect American jobs, and strengthen farm income.

A recent independent cost-benefit analysis of the MAP and FMD programs prepared for the Department of Agriculture by Global Insight, Inc.—the world's largest economic analysis and forecasting firm—illustrates the benefit of these vital market development programs. MAP and FMD are public-private partnerships that use government funds to attract, not replace, industry funds. According to Global Insight, total partnership spending on market development has grown 150% in the past decade to over $500 million projected for FY07 ($300 million from industry and $200 million from government). Over this period, industry contributions (up 222%) have grown twice as fast as government funding (up 95%) under MAP and FMD. Industry funds are now estimated to represent 59% of total annual spending, up from 46% in 1996 and less than 30% in 1991, which strongly represents industry commitment to the effort.

Another key finding by Global Insight is that ⅔ of market development funding through MAP and FMD is directed at technical assistance and trade servicing, not consumer promotions such as advertising. This category includes trade policy support, which has grown rapidly in recent years, as industry groups use program funds to help address rising levels of SPS barriers that U.S. products face in global markets. Only 20% of program funds are used in consumer promotions, largely for high value products supported under MAP.

The Global Insight study clearly illustrates the following favorable benefits of increased funding for market development and promotion through MAP and FMD that has occurred under the 2002 Farm Bill:

Market development increases U.S. competitiveness by boosting the U.S. share of world agricultural trade.

- The study found that the increase in funding for MAP and FMD authorized in the 2002 Farm Bill—combined with the increased contributions from industry—increased the U.S. share of world trade since 2001 by over one market share point to 19%, which translates into $3.8 billion in agricultural exports.

Market development increases U.S. agricultural exports.

- As mentioned above, Global Insight found that U.S. agricultural exports are forecast to be $3.8 billion higher in 2008 than they would have been had market development not been increased in the 2002 Farm Bill. Furthermore, export gains will accrue well beyond 2008, reaching $5 billion once the full lagged impacts of market development are taken into account. *For every additional dollar spent on market development, $25 in additional exports result within 3–7 years.* The study also found that 39% of the export benefits of market development accrued to U.S. agricultural products other than those that were being promoted. Known as the "halo" effect, this provides empirical evidence that the program generates substantial export benefits not only for industry partners carrying out the activity (they receive 61% of the total export benefit) but for other non-recipient agricultural sectors as well (that receive 39% of the total export benefit).

Market development improves producers' income statement and balance sheets.

- The income statement is improved by the price and output effect that higher exports have on cash receipts and farm net cash income. Additional cash receipts have increased $2.2 billion during the 2002 Farm Bill due to the additional exports from market development. Higher cash receipts increased annual farm net cash income by $460 million, representing a $4 increase in farm income for every additional $1 increase in government spending on market development.

In recent years, the EU, the Cairns group, and other foreign competitors devoted approximately $1.2 billion on various market development activities to promote their exports of agricultural, forestry, and fishery products. A significant portion of this is carried out in the United States. Market promotion is permitted under WTO rules, with no limit on public or producer funding, and is not expected to be subject to any disciplines in the Doha Round negotiations. As a result, it is increasingly seen as a centerpiece of a winning strategy in the future trade battleground. Many competitor countries have announced ambitious trade goals and are shaping export

strategies to target promising growth markets and bring new companies into the export arena. European countries are expanding their promotional activities in Asia, Latin America, and Eastern Europe. Canada, Australia, New Zealand, and Brazil have also budgeted significant investments in export promotion expenditures worldwide in recent years.

As the EU and our other foreign competitors have made clear, they intend to continue to be aggressive in their export efforts. For this reason, we believe the Administration and Congress should strengthen funding for MAP and FMD as part of a strong trade component in the new farm bill, and also ensure that such programs are fully and aggressively utilized. *It should be noted that MAP was originally authorized in the 1985 Farm Bill at a level of $325 million, and the Coalition strongly supports returning the program to that authorized level of funding from its current level of $200 million per year. We also urge that no less than $50 million annually be provided for the Foreign Market Development (FMD) Cooperator Program for cost-share assistance to help boost U.S. agriculture exports.* For FMD, this proposed increase reflects approximately the 1986 level of funding, adjusted for inflation.

We appreciate the Administration's recognition of the merit and value of MAP in the 2007 Farm Bill proposals by increasing funding for the program to $225 million annually, although we strongly believe a higher funding level of $325 million annually is needed. Furthermore, we believe that USDA's Foreign Agricultural Service's (FAS) current system of funding based upon the competitive merit of applicants' proposals works well and should not be changed. We do not believe that targeting funds to specific sectors is necessary.

At this time, I will give several examples of how MAP and FMD, along with industry initiatives, have helped USAPEEC to improve exports of U.S. poultry and eggs.

As an approved USDA Cooperator organization, USAPEEC is responsible for administering funds from both MAP and FMD, which are combined with industry contributions to fund various market-specific promotional activities. These activities can be targeted toward consumers, retail, food service, the HRI trade, or any combination of those market sectors. In fact, the availability of MAP and FMD funding is an added incentive for our member companies to contribute to this overall promotion effort.

USAPEEC utilizes its annual MAP allocation largely for promotional activities. However, it has become an increasing necessity that the funds be used in part to address the numerous trade issues that hinder U.S. exports. The FMD allocation helps to maintain USAPEEC offices in Russia, China, Mexico and Singapore, and is therefore also used largely to help overcome developing new restrictions on trade. The staffs of these offices are the industry's eyes and ears in those key markets. They work closely with key agriculture officials in the local government and with the U.S. Government's embassies and Agricultural Trade Offices, as well as the import trade. They are essentially a "quick reaction force" for our industry, and are able to identify trade issues early. This helps our industry and government to work together to resolve trade issues involving poultry and eggs quickly and efficiently.

As an example of cooperation between industry and government under MAP, USAPEEC organized a donation in 2005 of two containers of U.S. chicken leg quarters to the Vietnamese poultry industry. The Vietnamese industry then auctioned the donated product to raise funds for its campaign against highly pathogenic avian influenza that had devastated the industry. Fear of this disease had also caused a dramatic drop in chicken consumption in Vietnam. Auction proceeds also helped to calm consumers' fears about eating chicken.

How did this help to increase exports? As a result of this donation and auction, USAPEEC has gained the support of the Vietnam Poultry Association, which actually helped us promote the importation of safe poultry from the U.S. so that Vietnamese consumers would not sacrifice poultry from their normal diets. As a result, U.S. chicken exports to Vietnam which had dropped to just over $500,000, largely because of AI fears, climbed back to more than $6 million by the end of 2006. In the first 2 months of 2007, U.S. chicken exports to Vietnam were nearly $2.2 million.

Exports of U.S. turkey from major producing states, such as North Carolina, have become increasingly important. In the Republic of Korea, USAPEEC has conducted restaurant and deli promotions that have helped to increase U.S. turkey meat exports to Korea from less than $1 million in 2004 to $2.8 million in 2006.

In the Middle East, USAPEEC has coordinated activities to increase consumer awareness in the retail sector of the versatility of U.S. turkey parts. Exports of turkey to the Middle East have grown accordingly, from $2.3 million in 2004 to $3.1 million in 2006.

Mexico has been our largest market for U.S. turkey for years. Since 2000, turkey exports have risen from $138 million to more than $216 million, an average of $13 million per year. Mexico is also the fourth-largest market for U.S. chicken, valued at nearly $200 million in 2006.

USAPEEC has developed a unique partnership with UNA, the Mexican Association of Poultry Processors, which has helped to keep that market thriving. Named the NAFTA Egg and Poultry Partnership (NEPP), the USAPEEC–UNA collaboration has organized several industry-to-industry meetings funded by MAP, as well as industry-government technical symposia on export issues affecting U.S. poultry.

Under NEPP, USAPEEC and UNA worked together to establish a special safeguard arrangement that was approved by both governments to extend the NAFTA duty for U.S. chicken leg quarters through the end of 2007. (In the original NAFTA, all poultry import duties were to be eliminated in 2002). Had that not happened, radical elements of the Mexican poultry industry, fearing a deluge of leg quarter imports, were poised to file a dumping action against the U.S. industry, which would have been extremely costly. NEPP continues to coordinate industry-to-industry activities to discuss issues of mutual interest and to formalize industry recommendations to our respective governments. In fact, our organization has developed similar relationships in Central America and South America in support of CAFTA and the ANDEAN Free Trade Agreements.

Also in Mexico, USAPEEC has promoted the use of U.S. processed egg products (liquid, dried, etc.) among food manufacturers, such as bakeries, confectioners and mayonnaise makers. Food makers in Mexico, which has the world's highest per capita consumption of eggs, had traditionally used locally produced shell eggs to manufacture their products. Now, however, manufacturers are making the switch to high-value U.S. processed eggs. Exports of U.S. egg products to Mexico have grown dramatically, from $7 million in 2004, to $13.1 million in 2005 to $15.8 million in 2006.

On another front, as highly pathogenic avian influenza spread from Asia into the Middle East and Europe in the fall of 2005, consumption of poultry plummeted in many countries by as much as 20 to 50%, as fearful consumers simply stopped eating poultry. In 4 months, the price of chicken leg quarters—a market benchmark—fell from 48¢ per pound to less than 10¢ per pound. The estimated cost to the U.S. industry in lost export income was estimated at $142 million per month.

In early 2006, USAPEEC launched a worldwide initiative aimed at countering consumer fears. Funded by $1 million in combined MAP and industry contributions, the campaign carried a simple message: "Properly handled and cooked poultry is safe to eat." The "Just Cook It!" campaign quickly spread around the world, and gained the endorsement of the World Health Organization's chief expert on avian influenza, Dr. David Nabarro. USAPEEC's international offices were instructed to tailor the message to suit local markets, and USAPEEC shared materials developed for the campaign with poultry organizations around the globe free of charge. The campaign helped to reassure consumers worldwide that poultry is safe to eat. Chicken leg quarter prices have since rebounded to the mid-40¢ range.

These examples represent only a small sample of the activities in which the organization is engaged throughout the major export markets. USAPEEC also works to open new markets, and is actively promoting U.S. products in underutilized markets in Africa, such as Kenya, Tanzania, Ghana, Nigeria, Angola and others.

In closing, I cannot overemphasize the importance of MAP and FMD to the success of U.S. poultry and egg exports. Thank you, Mr. Chairman, for this opportunity to share with the Subcommittee some of our successes, and I would be pleased to respond to any questions you may have.

## Coalition to Promote U.S. Agricultural Exports

Alaska Seafood Marketing Institute
American Feed Industry Association
American Forest and Paper Association
American Hardwood Export Council
American Meat Institute
American Peanut Council
American Seed Trade Association
American Sheep Industry Association
American Soybean Association
Blue Diamond Growers
California Agricultural Export Council
California Association of Winegrape Growers
California Dried Plum Board
California Kiwifruit Commission
California Pear Growers
California Stone Fruit Coalition
California Table Grape Commission
Cherry Marketing Institute
CoBank
Florida Citrus Commission
Florida Citrus Mutual
Florida Citrus Packers Association
Florida Citrus Processors Association
Florida Department of Citrus
Florida Peanut Producers Association
Food Export Association of the Midwest USA
Food Export USA - Northeast
Georgia Poultry Federation
Ginseng Board of Wisconsin
Gulf Citrus Growers Association
Highlands County Citrus Growers Association, Inc.
Hop Growers of America, Inc.
Indian River Citrus League
Kansas Livestock Association
Kentucky Distillers' Association
Land O'Lakes, Inc.
Mohair Council of America
National Association of State Departments of Agriculture
National Association of Wheat Growers
National Barley Growers Association
National Cattlemen's Beef Association
National Chicken Council
National Confectioners Association
National Cotton Council
National Council of Farmer Cooperatives
National Grange
National Grape Cooperative Association, Inc.
National Milk Producers Federation
National Oilseed Processors Association
National Pork Producers Council
National Potato Council
National Renderers Association
National Sorghum Producers
National Sunflower Association
National Turkey Federation
North American Millers' Association
Northwest Cherry Growers
Northwest Horticultural Council
Ocean Spray Cranberries, Inc.
Peace River Valley Citrus Growers Association
Pet Food Institute
Produce Marketing Association
Shelf-Stable Food Processors Association
Softwood Export Council
Southern Forest Products Association
Southern U.S. Trade Association
Sunkist Growers
Texas Cattle Feeders Association
The Catfish Institute
The Popcorn Institute
Tree Top, Inc.
United Egg Association
United Egg Producers
United Fresh Fruit and Vegetable Association
USA Dry Pea and Lentil Council
USA Poultry & Egg Export Council
USA Rice Federation
U.S. Apple Association
U.S. Apple Export Council
U.S. Dairy Export Council
U.S. Dry Bean Council
U.S. Hides, Skins & Leather Association
U.S. Livestock Genetics Export, Inc.
U.S. Meat Export Federation
U.S. Wheat Associates, Inc.
Vinifera Wine Growers Association
Washington Apple Commission
Washington State Fruit Commission
Welch Foods Inc., A Cooperative
Western Growers Association
Western Pistachio Association
Western U.S. Agricultural Trade Association
WineAmerica (The National Association of American Wineries)
Winegrape Growers of America
Wine Institute

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## COTTON USA SOURCING PROGRAM HOSTS SUCCESSFUL TRADE FAIR

Through the COTTON USA Sourcing Program, and working together with Cotton Incorporated, 16 U.S. manufacturers and USDA's Foreign Agricultural Service (FAS), Cotton Council International (CCI) has developed a robust program of support for U.S. cotton yarn and fabric manufacturers targeted at Mexico, the Andean region and Central America. As one cornerstone to the COTTON USA Sourcing Program, CCI created a new activity – COTTON USA Trade Fairs – to help U.S. companies meet prospective customers for their products.

As one example of such an activity, in June 2006 CCI drew on MAP, FMD and industry funds to host a COTTON USA Trade Fair in the Dominican Republic to increase U.S. cotton yarn and fabric exports to the region. Forty textile and apparel manufacturers from the CBI and Andean Regions met with 15 U.S. retailers and 15 U.S. textile mills at the fair. During the 2 ½ day event, buyers and sellers participated in 600 individual meetings that provided U.S. brands/retailers with sourcing options in the Western Hemisphere that would maximize U.S. cotton yarn and fabric content.

Gathering representatives from the entire U.S.-Central America-Andean textile and apparel supply chain proved to be an effective way of generating business. CBI and Andean participants said they planned to increase their sales of U.S. cotton products by $4.6 million and 10.1 million units the next year as a direct result of the fair.

COTTON USA Trade Fairs are part of a comprehensive export promotion program for U.S. manufactured cotton yarns and fabrics. This COTTON USA Sourcing Program began in 2000 in response to a combination of U.S. trade policy initiatives, market conditions and funding from USDA's Section-108 program. The timing of the COTTON USA Sourcing Program was opportune as the U.S. government was negotiating the CBTPA, a new trade law to give preferential treatment to garments manufactured in the CBI region using U.S. cotton yarns and fabrics. Subsequent trade legislation – ATPDEA, DR-CAFTA and pending Free Trade Agreements with Peru and Colombia – continue to extend benefits to U.S. cotton textile products. The Sourcing Program has been actively supported by the U.S. cotton textile industry, and industry funding has increased from $50,000 in 2000 to 16 companies directly contributing $125,000 in 2006.

With the loss of a significant apparel industry in the U.S., exporting is seen as the key to survival for the U.S. textile manufacturing industry. U.S. mills participating in the COTTON USA Sourcing Program have been able to maintain their U.S. operations and cotton consumption through exporting their products to the Western Hemisphere. Currently, U.S. mills export 75 percent of all of their production. Exports of U.S. manufactured products have increased significantly since the beginning of the COTTON USA Sourcing Program. From 1999 to 2005, U.S. cotton yarn exports increased from $43 million to $540 million, and U.S. knit fabric exports grew from $22 to $421 million.

U.S. WHEAT ASSOCIATES

**Building Soft White Wheat Demand in Latin America**

March 2007 – A decisively positive trend is evident in export numbers for American soft white wheat. By working closely with Pacific Northwest wheat commissions, as well as federal and independent organizations, Foreign Agricultural Service cooperator U.S. Wheat Associates is opening new soft white wheat markets in Latin America.

In 2004/2005, Latin American countries bought only 23,500 metric tons of white wheat. Sales zoomed to 364,000 tons in 2005/2006—an increase worth at least $50 million. U.S. Wheat Associates is applying available funds to demonstrate the advantages of white wheat to meet consumer demand. A good example is a successful effort to help Central and South American processors meet a growing demand for Asian-style noodles, best made with soft white wheat. U.S. Wheat Associates also helped Guatemala and El Salvador import high quality white wheat by developing unconventional shipping configurations.

This marketing year, U.S. Wheat Associates has accelerated its technical assistance to help Latin American millers improve their productivity to better utilize American white wheat and be more competitive in their dynamic markets. Soft white wheat sales this year are running at three and one half times the rapid pace set last year at this time.

Clearly, U.S. Wheat Associates colleagues in Mexico City and Santiago, Chile, use their resources wisely to provide the support, training and information that help Latin American wheat buyers *and* soft white wheat growers in the Pacific Northwest grow their business.

*Working with Latin American millers to develop creative ways to import soft white and hard red spring wheat through the Portland, Oregon, port is one of the ways U.S. Wheat Associates is building markets for American producers.*

## Chinese Trade Team Visits US

Dr. Yu Yu, Regional Director, Asia

Since 1997, the **National Renderers Association** (NRA) has been funded by USDA (MAP) to invite key players from the Chinese feed, broiler, hog and aquaculture industries, and protein and fat traders to visit the US for first-hand understanding of the US rendering industry and its products. This team visit, in June, included feed, and meat packing plants, leading animal production research institutions, and an international livestock exhibition. This year's trade team included decision makers from China's top livestock, pet food and protein trading companies. Thanks to the hospitality of six NRA members; the team had a full appreciation of the quality, application and value of US non-ruminant protein meals. With the domestic price (China) at US$1,000/ton of imported fish meal, the team members were all eager to place orders and sign contracts for US products, for obvious economic value and proven animal performance as fish meal substitutes. Stops at the World Pork Expo, University of Arkansas, and United Feeds allowed the team to learn the latest technologies for improvement in productivity and efficiency in hog and broiler production. This will undoubtedly stimulate the desire to make changes at their organizations for competitiveness guided by science and technology. The busy 10-day visit was also lightened by R&R at Washington DC, Los Angeles and Las Vegas. "Work hard and play hard" is good for people all over the world. At the end of the journey, all team members realized that for animal proteins, China and the US are perfect complimentary partners, and this is what the Association has been striving toward during the past decade!

Mountain View

Baker Commodities

University of Arkansas

UNITED STATES POTATO BOARD

**Training For PVO's Raises Profile for Dehy Potatoes in Food Aid**

Having previously cleared the way for U.S. dehydrated potatoes to be used in U.S. food aid programs, the USPB is now successfully building an understanding of U.S. dehy benefits among organizations that use these programs. In October 2005, eleven members from six private voluntary organizations attended intensive training in U.S. dehydrated potatoes. This MAP supported activity reached Counterpart International, the World Food Programme, Africare, MARCH, ASON and World Vision. After learning about U.S. dehy from the high quality raw product, through the manufacturing process to end uses and benefits, each PVO was able to take key messages back to their organizations. In a highly significant development, Counterpart International received their first Title II shipment this year, for about 230 MT, with more to come. WFP with their partners in Haiti, MARCH and ASON, were able to start distributing dehy in a demonstration/acceptability project for the first time. Africare requested 70 metric tons of dehy in their Title II AER. World Vision Zambia implemented a demonstration project and is working closely with their C–SAFE partners to have dehy implemented in their multi year activity plans.

**Korea Continues To Purchase U.S. Potatoes Despite Phytosanitary Issues**

Korea has been a strong growth market for U.S. fresh chipping potatoes. Yet after steadily rising in recent years—up 2,665% from 119 MT in MY 01/02 to 3,290 MT in MY 04/05—U.S. exports hit a snag last year because of Columbia Root Knot Nematode (CRKN) finds. To address this, the USPB worked closely with Korean manufacturers to help them continue using U.S. chip-stockpotatoes and with the U.S. industry to resolve problems. In the U.S., the USPB worked with growers to implement a more vigorous inspection process to eliminate shipping potatoes with CRKN. In Korea, snack manufacturers and the USPB worked to get a processing protocol implemented that would enable U.S. chipping potatoes to safely enter the market despite CRKN issues. This safeguard system encouraged the major snack manufacturers to make commercial contracts again for the next marketing year. Korean manufacturers that were not able to make changes to their production facilities began purchasing finished chips in bulk from the U.S. as a way to supplement their production. Thanks to this collaboration of efforts, U.S. exports of fresh chipping potatoes fell only 39% to 1,995 MT in MY 05/06, and are poised to resume growth in the coming year.

U.S. BEEF PROGRESS EVIDENT ACROSS JAPAN

February 14, 2007

It has been just a little more than 6 months since Japan removed the ban on U.S. beef imports. Since then, the *U.S. Meat Export Federation* (USMEF) has been using a multi-faceted campaign called "We Care" to help rebuild confidence in U.S. beef among consumers, meat buyers, retailers and restaurant owners.

And although increases in U.S. beef exports to this region cannot come fast enough for the U.S. beef industry, USMEF sees encouraging progress with each passing month.

Just a few weeks ago the second largest beef bowl chain in Japan, Matsuya, started featuring U.S. beef in yakiniku and karubi meals at all its 733 locations due to positive customer response. The "We Care" campaign is utilized in each restaurant on posters, banners and menu cards.

Since the resumption of U.S. beef imports, Costco has been selling product with successful monthly results. The retailer sells approximately 35 to 40 metric tons (mt) per month, which is a 50 to 70 percent increase from August 2006 when the warehouse store restarted U.S. beef sales.

Costco started with four U.S. beef cuts: chuck eye roll, boneless short rib, chuck short rib and chuck flap tail. Since U.S. beef sales were successful, Costco added rib eye roll, strip loin and flap meat, an underutilized cut.

USMEF is working with Grand Hyatt Fukuoka as the hotel plans to put U.S. beef back on restaurant menus. An American Beef promotion will kickoff at the hotel March 11.

A cooking school featuring U.S. beef recipes developed by a well-known cooking personality will be held Feb. 28 at the Better Home Cooking School in Shibuya. Several newspapers and magazines have advertised the event.

In 2006, the United States exported 13,736 mt of beef and beef variety meat to Japan, worth $66.5 million.

## RETAIL CHAIN SEES RESULTS FROM USMEF EFFORTS

March 14, 2007

Alsuper, a retail chain with 30 outlets in northeastern Mexico, reports that the *U.S. Meat Export Federation* (USMEF) promotions have helped the chain increase U.S. meat sales by 3 percent compared to 2 years ago. Approximately 80 percent of meat purchases made at the stores come from the United States.

"USMEF promotions and assistance with developing business relationships with U.S. meat companies have been very positive," said Ricardo Duran, Alsuper meat purchasing director. Duran said meat sales currently comprise 9.4 percent of all sales at Alsuper. The company has set a goal to increase that number to 10 percent by December.

"With 5 new stores opening and continued USMEF promotions and assistance, we believe we can reach that goal," Duran said.

Chad Russell, USMEF regional director for Mexico and the Dominican Republic, noted Alsuper's experience is an excellent example of how USMEF marketing efforts help build demand and loyalty for U.S. red meat in Mexico.

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## NATIONAL SUNFLOWER ASSOCIATION

### Mexican Baker Creates New Bread

Using Foreign Market Development (FMD) funds, grower check-off and industry dollars the *National Sunflower Association* (NSA) has aggressively pursued improved market opportunities in Mexico. NSA has been aggressively promoting the use of confection sunflower kernel in bakery products in Mexico for the last 4 years. As a result of this promotion, the largest Mexican baker is using confection sunflower kernel in two of its breads. The breads are being distributed nationwide in all major supermarkets. The baker has imported 350 MT of confection sunflower kernel valued at $420,000 in the past 6 months of this marketing year. Sales of the breads are expected to double in the next year. In the past 4 years, as a result of these activities, the value of U.S. confection sunflower product exports has averaged over $5,700,000 per year.

### MAP Increases Spanish Imports of U.S. Sunflower Seeds

Spain is currently the largest export market for U.S. confection sunflower seed. The primary use of sunflower seeds in Spain is for snacks. Five years ago using Market Access Program (MAP), grower check-off and industry dollars, and in partnership with key Spanish snack roasters, the *National Sunflower Association* (NSA) kicked off a national point-of-sale (POS) campaign to promote U.S. confection sunflower seeds. NSA developed and printed POS materials and our Spanish partners distributed and maintained them. The POS materials were placed at points of sale in supermarkets, kiosks, and nut shops throughout Spain. The display materials highlighted the fact that participating Spanish roasters' products use USA confection sunflower products that are high quality and fun-to-eat at a low cost. Red, white, and blue colors and our 'Pipas USA' logo were used in all materials to show USA origin. Since the inception of the campaign, exports of U.S. confection sunflower seeds have grown from just over $13,000,000 to $25,350,000 and now account for 52 percent of the total U.S. confection sunflower seed exports.

*Exported sunflower seed and kernel are value-added products with processing facilities located in rural locations of North Dakota, South Dakota, Minnesota and Kansas accounting for approximately 3,100 jobs in these states. The economic impact of the confection sunflower seed industry was estimated at $693 million per year in a NSA-sponsored study.*

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## CALIFORNIA WALNUT COMMISSION

### Asian Market Diversification

The California Walnut Industry has actively engaged in marketing programs in Asia since the mid-1990's. Utilizing MAP funds, the *California Walnut Commission* (CWC) entered the Japanese and Korean markets through targeted activities in the trade sector to create demand for California walnuts as a bakery/pastry/confectionary ingredient while also generating consumer awareness and purchase of walnuts and walnut inclusive products. The concentrated efforts in the bakery sector continue to yield favorable results as over 80% of the customer base in Japan remains concentrated in this sector while in Korea it accounts for 35%.

Continued growth in these markets has been demonstrated through diversification within the marketplace. In Korea, high trade awareness and success with walnut inclusive products lead the CWC to develop relationships with manufacturers outside the baking sector. Keen interest from ice cream manufacturers, confectioneries and beverage manufacturers lead the CWC to conduct one-on-one meetings introducing possible applications customized for each company's needs, provided technical assistance in developing new products using California walnuts, and invited key product development managers to California to assure quality and food safety of California walnuts. MAP funds were utilized to engage in these activities while fostering the relationships.

As a result, an all-time best selling ice cream bar product was launched by a leading Korean ice cream manufacturer, Haitai, which brought a 30 percent market growth by a single item in the launching year of 2003/04. Thanks to the great success of this item, the same company launched various products with the same concept and brand name, i.e. ice cream in cup, cone, soft candy and sweet bar in the marketing year 2004/05. This actually made a big boom of "walnut" in the confectionery industry, and in the marketing year 2004/05, many other leading confectioneries and bread manufacturers like Lotte, Orion, Samlip and Crown were developing new California walnut items. Among them, two items- brownies and cookies using California walnuts—were launched by Orion in the beginning of the marketing year 2005/06, and one steamed bun item with California walnut stuffing was launched by Samlip. All these new items from the end of marketing year 2003/04 and marketing year 2004/05 almost doubled the California walnut market in Korea over the last 2 years, growing from 3.2 million pounds in the 2002/03 crop year to 6.8 million pounds in 2004/05. This accounts for a value increase of 130% from $6.7 million to $16.1million over the over the past 2 years, making the dairy/ice cream sector now 20 percent of the total market in Korea.

The success of the above items has lead manufacturers to export some of the products developed in addition to sparking interest in other markets, such as Japan in developing walnut inclusive products, to achieve the success seen in Korea. In the 2005 marketing year the first ice cream bar including walnuts launched in September followed by line extensions planned for later in the year. The CWC looks forward to the growth that mimics that of Korea, should the launches achieve the success intended.

The Asian market continues to evolve despite unjustified duties in both markets—30% in Korea and 10% in Japan. The potential for these markets to continue to evolve would be even greater if the duties were lifted. The CWC continues to work with USTR and in-country partners to remove barriers to trade. Further, MAP funding continues to be of vital importance to support the industry's efforts to overcome barriers to trade, as well as develop and evolve markets. Many of the tactics utilized would not be possible without MAP.

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AMERICAN SOYBEAN ASSOCIATION-INTERNATIONAL MARKETING

March 2007

**Technical Support to Latin America Livestock Producers**

*American Soybean Association-International Marketing* (ASA–IM) activities funded by USDA Foreign Agricultural Service (FAS) developed a program to provide technical support to Latin America livestock and poultry producers and feed mill operations. This program divided the work into three sections: farm and feed mill visits, field days and seminars, and feed formulation and the development of feeding programs. Poultry, swine, tilapia, dairy, beef farms, as well as feed mills, were visited in different Latin American countries under this program. The purpose of these visits was to teach animal producers different new nutrition and management techniques, and as a result of this servicing, animal operations will have implemented modern management practices and will have improved their technical skills and use more soybean products. Participating farms were used as an example for other producers, encouraging them to implement the new technology and thereby impact the consumption of soybean meal. This program was complemented with the presentation of conferences, congresses, seminars and field days showing the importance of using high quality soybean meal in animal diets, as well as different techniques to improve animal performance. Furthermore, a 24 hour on-line program was offered to animal producers for the development of feeding programs and diet formulations to improve the use of U.S. soybean meal in livestock and poultry diets, as well as animal performance.

The most important effect was the great amount of diets that were formulated. It was interesting to observe how each day animal producers are more interested to use well balanced diets, using corn and soybean meal as the main ingredients. Every day the concept of buying ingredients on the basis of the cost per unit of nutrient is adopted by more animal producers. In many places, the concept of buying by price has changed to buying by quality. Feed mills are adopting laboratory techniques to evaluate feed ingredient quality and in the case of soybean meal, analytical technique procedures for determining protein solubility values, urease activity and total trypsine inhibitors were discussed with the quality control staff of the more important feed mills in Latin America.

In relation to animal performance improvement, the recommendations presented during the seminars and congresses, as well as the effect of the changes in the feeding programs, have produced good results in the livestock operations. Higher weight gain and feed conversions were reported for pigs, broilers and beef cattle. Increments in milk production and reproductive efficiency in dairy cattle and higher percent egg production and egg weight in layers were also reported. Most of the monogastric producers attributed this improvement in performance to the use of the "Ideal Protein Concept", which uses as a base the digestible amino acid content of the different feed ingredients. Big differences between the cost of diet and the effect on performance were found when diets are formulated based on digestible amino acid content.

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## U.S. Hide, Skin and Leather Association

The biggest export market for U.S. bovine hides is China. Exports to China have grown from $640 million in 2005 to $875 million in 2006.

There are a number of reasons for this, but one that has been singled out by some of the U.S. hide exporters is the Foreign Market Development (FMD) program that U.S. Hide, Skin & Leather Association (USHSLA) participates in.

Through funding provided by the U.S. Department of Agriculture' Foreign Agricultural Service (USDA/FAS) and matching dollars put up by about a dozen member companies of USHSLA, we have participated in two shows in China over the last couple of years—one in Hong Kong and the other in Shanghai. Both shows bring in hide buyers from all over the world but primarily from the industrializing Asian nations. China is the main importer of hides and remains the most dominant buying presence at both shows. In 2005 these two shows accounted for $46 million in on-site sales. In 2006 the two shows accounted for an increased $74.7 million in on-site sales.

Would USHSLA's member companies have accounted for this increase of $120.7 million if we had not attended the shows? Probably some of this business may have gotten done, but in addition to an increase in sales both shows facilitate networking within the global industry which results in new contacts, new agents signed and additional business throughout the year.

In fact, according to survey's filled out by participating USHSLA companies, over $110.9 million in increased business in 2006 was done as a result of participation in those two shows. That is nearly equal to the increase in hide trade in China over the last 2 years. In addition to on-site sales USHSLA member companies reported signing 87 new agents at both shows.

USHSLA and USHSLA members plan to attend these same two shows in 2007. The Hong Kong show brings traders, transportation companies, tanners and others from around the world and is the largest hide and leather show in the world. The Shanghai show is more focused on the growing hide and leather industry in solely China. Both shows are a vital part of the growing demand for U.S. hides and leather in Asia. USHSLA's members will continue to attend these shows in the future and plan on similar successful results within China because of opportunities allotted to the U.S. hide and leather industry by participating in the FMD program funded by the USDA/FAS.

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## Southern U.S. Trade Association

### Alabama Department of Agriculture Helps India Embrace Southern Cuisine

In January 2006, the *Southern U.S. Trade Association* (SUSTA) focused on promoting value-added food products and pecans from the southern U.S. in India. SUSTA representatives from the Alabama Department of Agriculture participated in two trade events—the India International Food and Wine Show (IFOWS) 2006, an event for the retail industry, and HospitalityWorld 2006, an event for the hospi-

tality, restaurant and institution industry. These events were followed by cooking demonstrations and tasting events, a culinary contest with budding chefs, a press conference, market visits and research assessing opportunities in India's pet food industry.

At IFOWS 2006, in New Delhi, nearly twenty importers and industry leaders visited SUSTA's pavilion. The show provided a platform to establish contact with local importers and introduce them to the southern U.S. food products. Products from twenty-four companies from the SUSTA region were featured in the pavilion. The promotion was a tremendous success. The importers and buyers, several of whom had one-on-one meetings with SUSTA representatives, expressed interest in the products and their willingness to import them.

A cooking demonstration and tasting event was carried out by Ms. Vaishali Sood, SUSTA's brand ambassador chef in India. The event was well attended with more than fifty people participating. Ms. Sood made pecan cake and jambalaya, which were an instant success with the attendees.

A culinary contest with twenty-two budding chefs from Banarsidas Chandiwala Institute of Hotel Management and Catering Technology was held in New Delhi. These chefs used products from the southern U.S. to prepare a full course meal. The objective was to establish a professional platform where up-and-coming culinary professionals could display their skills and creative talent in a competitive environment.

HospitalityWorld 2006, in Mumbai, provided a unique opportunity for strategic cross promotion and professional dialogue with the hotel, restaurant and institutional food sectors. The response from institutional buyers was overwhelming. A dialogue was established with Cremica Group, which showed interest in procuring condiments that could be further processed and consumed in the local market. While in Mumbai, SUSTA representatives had a one-on-one meeting with Reliance Industries Limited promoting southern U.S. products. The company is entering the Indian retail sector in an unprecedented way.

"Power Pecan—The nutritionally powerful nut" is the mantra used in SUSTA promotions to create awareness of pecans in India. SUSTA seeks to familiarize the Indian consumer with the uses and the versatility of the pecan, as it is not available in India. The press conference at Hyderabad sought to promote, create awareness and develop brand recognition for pecans, the power pecan. Nuts & Spices, a leading retail outlet in Chennai that exclusively sells dry fruits and spices, were enthusiastic to include pecans in their product offering during their meeting with SUSTA representatives.

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SOUTHERN U.S. TRADE ASSOCIATION

**Georgia Department of Agriculture Organizes Market Access Program Generic Promotion in Dubai With Projected Sales of Over $8 Million**

Eight companies from the southern U.S. traveled to Dubai, United Arab Emirates in February 2007 to find success at the Gulfood trade show. The Georgia Department of Agriculture organized the *Southern U.S. Trade Association* (SUSTA) booth, along with booths for eight SUSTA region participants, as a Market Access Program (MAP) Generic promotion. MAP Generic promotions represent more than one product or commodity and allow suppliers to participate in trade shows, in-store promotions and other activities for a reduced cost. The U.S. companies promoted various food products at the show, including fruit juices, rice, processed meat products, popcorn and other snack foods.

Importers and buyers visiting the booth were given the opportunity to meet with U.S. companies, find out more about southern U.S. food products, and even taste products prepared by a chef in the booth. Importers and buyers also expressed interest in making additional contacts with suppliers of nuts, dairy products, honey, confectionery, spices, oils, fresh vegetables, fresh fruits and sauces.

Five companies participating in the MAP Generic promotion conducted by SUSTA at Gulfood reported immediate sales totaling $964,000. Others indicated that they expected orders within the year, projecting sales to reach approximately $8,370,000 as a result of the show.

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SOUTHERN U.S. TRADE ASSOCIATION

**The Long Green Road to Success**

In support of the notion that it takes years to tackle a foreign market, the *Southern U.S. Trade Association* (SUSTA), with the support of the Southern

Nurserymen's Association (SNA), organized the U.S. pavilion at the Internationale Pflanzen Messe (IPM) in Essen, Germany for the 12th consecutive year.

IPM, the largest horticulture trade show in the world, includes about 1,350 exhibitors from 37 countries in 19 halls totaling more than 1 million square meters of exhibit space. The 4-day event attracts nearly 60,000 visitors from around the world looking for plant material, technology, and related goods.

Participants from eight different U.S. nursery companies, including five first-time exhibitors, took advantage of the institutional knowledge SUSTA has gained over the last 12 years. In this promotion, a first-time exhibitor has a leg up on the competition because of the groundwork laid at the past promotions. Many new exhibitors find a "built-in" relationship exists with many buyers because of past exhibits and nursery tours. European buyers return each year to the U.S. Pavilion because it introduces them to a wide range of new U.S. products and producers.

In their experience, the exhibitors have found that repeated participation is one of the keys to success in the European market. For example, an exhibitor the first year may garner interest and a few small orders. The second year and third year exhibitor shows a buyer that the company is committed to the European market and the relationship is solidified. This relationship brings about larger and repeated orders.

As in the past, most interest is in young plant material, mostly large quantities of "bare-root" stock of ornamental trees and shrubs. At the 2006 show, exhibitors reported $380,000 in sales and anticipated sales. There are also long term results; many past exhibitors have moved into growing agreements with European nurseries. In this arrangement, an EU grower either purchases the rights to grow a licensed plant variety or actually exclusively purchases young plant material to be grown out in-country. This partnership allows a U.S. supplier to gain a larger margin of profit than marketing the product themselves, due to many issues with trying to sell and ship "finished" nursery products to Europe.

Exhibitors and participants also point out that gaining new customers and making sales are not the only reason they attend IPM or go on the nursery tours. Several participants use the time at the show to seek out trends that can give them an advantage over their competition or products that can make their business more efficient. As with most industries, the nursery industry is constantly changing and evolving. IPM gives SUSTA participants a chance to stay one step ahead in the market.

Part of the reason this promotion has been consistently successful is its multi-layered aspect. Nurserymen are given multiple opportunities to deal with the market each year. For example, this year's promotion includes: exhibition at the trade show, post-show nursery tours in a selected country (Italy) and then a follow-up reverse trade mission to the U.S. the following summer. An exhibitor has the potential to be introduced to a customer, visit the customer's business and then have the customer visit his business—all in 1 year!

Another reason of continued success is the cooperation of state, federal and private organizations. A list of this year's cooperators reads like a who's who: the Southern Nursery Association, North Carolina Association of Nurserymen, Ohio Florist's Association, Tennessee Department of Agriculture, North Carolina Department of Agriculture, Rome FAS office, Berlin FAS office. In the past we have had participation from APHIS, and a multiple selection of grower organizations.

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### PEANUT FARMERS REGAIN LOST MARKET SHARE

Peanuts are a vital crop for farmers in Alabama, Georgia, and North Carolina. Market Access Program (MAP) funds have been used successfully to increase exports of peanut butter made in Georgia and other states to Mexico. Peanut butter exports increased 64% from 2005 to 2006 with an increase in value from about $3.5 to $5 million dollars in 1 year. MAP funds have also been used to promote raw peanut exports with exports increasing 14% from 2005 to 2006, regaining lost market share. The Market Access Program is also assisting a small peanut processing company in North Carolina to get a foothold in the export market by providing market information and advertising support for its products in Canada and the UK.

U.S. DAIRY EXPORT COUNCIL SUCCESS STORY

**Arkansas, Colorado, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Minnesota, Mississippi, Nebraska, Ohio, Pennsylvania, South Carolina and South Dakota**

New Commodity Cheese Imports to Japan

| | |
|---|---|
| Impacted States | A company that benefited from this program has members in the following states: *Arkansas, Colorado, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Minnesota, Mississippi, Nebraska, Ohio, Pennsylvania, S. Carolina and S. Dakota, among others.* |
| Background | U.S. suppliers of cheddar have had difficulty penetrating the Japanese market due to competitive pricing from New Zealand and Australia. |
| Goal | Increase awareness and market share of U.S. commodity cheese. |
| Strategy | Educate Japanese traders and importers about the Cooperatives Working Together program which offers price parity with international competition and allows product trial. |
| Tactics | Continuous trade visits. |
| Results | During the first half of 2006, a major Japanese company imported 300 metric ton of cheddar from a U.S. supplier through the CWT program. These transactions amounted to approximately $840,000. The company has committed to import an additional 200 metric tons of cheddar from the same U.S. supplier by the end of the year. |

U.S. DAIRY EXPORT COUNCIL SUCCESS STORY

Sports Nutrition Mission Spurs WPC–80 Exports to Brazil

| | |
|---|---|
| Background | A Brazilian bar manufacturer attended a USDEC-sponsored sports nutrition mission and seminar that was conducted at Cal Poly University. USDEC promoted the mission and seminar to U.S. dairy suppliers as an opportunity to learn how to incorporate whey proteins such as texturized whey into protein and energy bars. |
| Goal | Increase U.S. market share for WPC–80. |
| Strategy | Introduce the Brazilian food supplement industry to U.S. suppliers and help manufacturers understand how best to incorporate whey proteins in sports nutrition and energy bars. Assist USDEC members with documentation issues and other regulatory information. |
| Tactics | —Act as a liaison between the Brazilian food supplement industry and U.S. suppliers through trade servicing activities.<br>—Support USDEC members in South America markets. |
| Results | With knowledge obtained through the mission, the Brazilian company was able to re-launch a better tasting sports nutrition bar that contained whey proteins. The Brazilian manufacturer also will soon launch a new beverage using WPI from the United States. *The company purchased 20 tons of instant WPC–80, with an approximate value of $5.5/kg. It expects to import about 240 tons in 2006 from the United States, at an approximate value of about $1,320,000.* |

USA POULTRY & EGG EXPORT COUNCIL—RUSSIA

*Constraint:* Russia uses veterinary requirements as technical barriers for U.S. poultry.

*Description:* The Russian Veterinary Service (RVS) uses differences in U.S. and Russian standards and risk assessment as technical barriers to limit imports of U.S. poultry.

Activities:

- Technical Regulations for Poultry Meat
- Comparative Testing of Poultry Products
- U.S.-Russian Technical Consulting Center
- Database of official RVS documents
- HACCP manuals reprinting and mailing (CANCELLED, FUNDS TRANSFERRED FOR AI)

| Performance measures | Benchmark | Goal | Current |
|---|---|---|---|
| 1. Number of HACCP manuals distributed in Russia. | 1,600.0 | 2,500.0 | 1,600 |
| 2. Number of new Russian standards based on the U.S. System. | Chicken products: terms and definitions. | Develop draft of technical regulations. | Analysis conducted, RPU draft blocked. |
| 3. Number of translated official documents on poultry meat safety. | 24 | 50 | 41 (1,700+ pages) |

1. USAPEEC started collecting information about development of new technical regulations for poultry. A draft TR initiated by the Russian Poultry Union was translated into English and presented for analysis to U.S. poultry industry specialist, processors, traders and importers.

2. The U.S.-Russia Technical Consulting Center translated 41 official Russian and U.S. technical documents (total of 1,700 pages) regulating poultry production and safety control; sets of docs were copied on CDs, printed as books and distributed in Russia and U.S. USAPEEC helped organize the U.S.-Russian Meat Safety Conference "A Safe Meat Supply—From Farm to Table" in May. USAPEEC conducted comparative tests of official U.S. and Russian analytical methods for salmonella detection in poultry.

3. Together with the National Association for Consumer's Rights, USAPEEC continued comparative testing of poultry products from foreign and domestic producers. The testing proved adequate quality of the U.S. poultry product compared to other producers, especially Russian ones.

4. A veterinary information agency was contracted to obtain new official documents from the VPSS.

5. 27 articles based on HACCP manuals and U.S. professional print and on-line publications were placed in Russian professional veterinary periodical publications.

WINE INSTITUTE

**U.S. Wines Continue To Gain Market Share in the United Kingdom**

The United Kingdom is the largest, most competitive market for imported wine in the world. It is also the number one destination for U.S. wines and those from most producing countries.

In 2006, U.S. wines continued to increase market share in the UK according to retail sales monitored by AC Nielsen. Because wines shipped to the UK trade may be bottled in Italy or France or shipped in-bottle from Belgium or The Netherlands, export shipment statistics to a particular country are a poor indication of sales growth in the UK.

During 2006, U.S. wines achieved an off-premise market share of 16.0% by volume (+8.3%) and 16.2% (+8.0%) share by value. This places U.S. wines third in market share behind Australia (22.3% share) and France (16.4% share). Considering current growth rates, U.S. wines should overtake France for second place in the UK during 2007.

In the on-premise market, U.S. wines grew 18% in value and 15% in volume, although market share is considerably less as European wines still dominate this sector.

Mr. SALAZAR. Thank you very much for your testimony.

Mr. Ford.

## STATEMENT OF PATRICK FORD, DIRECTOR, INTERNATIONAL MARKETING, FORD'S GOURMET FOODS; ON BEHALF OF COALITION TO PROMOTE U.S. AGRICULTURAL EXPORTS, RALEIGH, NC

Mr. FORD. Good afternoon. My name is Patrick Ford. I am the International Marketing Director of Ford's Gourmet Foods. I am honored to have been selected among my peers to speak on behalf of the Market Access Program and the Foreign Market Development Program and how they increase export potential for U.S. companies.

Although our company's growth in recent years into an internationally recognized gourmet food company is testimony to the success of the MAP and FMD programs, it is important to understand the many ways in which these programs have been able to significantly increase our foreign trade in a relatively short period of time. I thank you for that opportunity.

My family has been in the food business for many years. My great-grandfather, Andrew J. Ford, and his sons, Connie Mac, my grandfather, and Carl had a small farm outside of Raleigh, North Carolina, back in the early 1940s. With a small crop surplus to sell 1 year, they founded Ford's Produce Company. My parents, Len and Sandy Ford, took over the family business from my grandfather who retired in 1985. My mother began a new division, Ford's Gourmet Foods, a specialty foods company, shortly thereafter, and today our company employs around 80 people.

In 1992, we introduced Bone Suckin' Sauce—an all-natural western North Carolina style barbecue sauce. It is my grandmother's recipe. My uncle modified it. My mom named it. And it changed everything about our business. When I rejoined the family business after college in 1997, we shipped a few small orders to the U.K., Hong Kong and Canada. There was no brand awareness in the overseas markets, no product support and no real marketing plan to speak of. The international buyers that we did business with found us at the New York and San Francisco trade shows. We had no knowledge of the regulations and basically did not know how to get into the game. We were dependent on people in other countries to tell us what to do.

I knew there must be market demand in other parts of the world and with the help of the Foreign Agricultural Service, the North Carolina Department of Agriculture, Southern U.S. Trade Association and MAP funds, we researched countries, trends, market conditions and potential customers. Our first international trade show was a Specialty and Fine Food Fair in London in 2003. It proved to be a huge success but it came with a hefty price tag. We knew that we would not be able to afford to attend international trade shows on an ongoing basis without help. We became a member of SUSTA shortly thereafter, and were made aware of the MAP funds.

Since then we have relied heavily on MAP to help us with many items including correct labeling for all of our products. Foreign labeling is not just about language translation. For example, in England each port has different requirements and different ways of listing ingredients on each label and they do not accept the U.S. nutritional panel. In Canada, Montreal has different guidelines than the rest of the entire country. The details of the labels alone can take months to work out and are extremely costly for a small business to produce. Funding from MAP programs has also helped with market research, information on qualified buyers, trade show support, shipping costs, advertising and product support. Most small businesses do not have the resources, time or money to fully investigate all the export requirements. It simply will not get done.

Breaking into a foreign market doesn't happen overnight. It takes years of building familiarity, having a presence at trade shows, sending samples, advertising, in-store samplings and build-

ing relationships with buyers to make a product successful on foreign soil. Add to this the fact that our foreign competitors are constantly increasing their investment into the market and I hope you can see why without significant increases in the MAP and FMD program funding, it will be impossible for U.S. products to keep up. While these same competitors are focusing export dollars on the U.S., jobs on U.S. soil are at stake.

I know that increasing the MAP funding to $325 million means a major investment in the future of exports in our country. I represent the small business. We get up early, we stay late, and we don't take days off. We do this to be able to seize opportunities. This is not only an opportunity but a partnership between the U.S. Government and all small businesses. The goals of this partnership are to benefit the small business by developing opportunities abroad and to benefit our country by protecting and creating jobs, and to begin to correct the trade deficit by protecting small businesses across the country.

In closing, please do vote to increase the MAP program budget to $325 million. I cannot stress enough the importance of the MAP and FMD to the success of U.S. small business exports. Thank you.

[The prepared statement of Mr. Ford follows:]

PREPARED STATEMENT OF PATRICK FORD, DIRECTOR, INTERNATIONAL MARKETING, FORD'S GOURMET FOODS; ON BEHALF OF COALITION TO PROMOTE U.S. AGRICULTURAL EXPORTS, RALEIGH, NC

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I hope you will consider my testimony to be justification for a significant increase in funding of these programs so that other small U.S. companies may take advantage of the vast export market available, and gain assistance in conquering the many roadblocks that commonly interfere with or prevent altogether the possibility of export.

**About Ford's Gourmet Foods**

My family has been in the food business for many years. My great-grandfather, Andrew J. Ford and his sons Connie Mac (my grandfather) and Carl had a small farm outside of Raleigh, NC back in the early 1940s. With a small crop surplus to sell 1 year, they founded Ford's Produce Company. My parents, Lynn and Sandi Ford took over the business from my grandfather who retired in 1985. My mother began a new division, Ford's Gourmet Foods, a specialty foods company.

In 1992, we introduced Bone Suckin' Sauce, an all-natural, Western North Carolina style barbeque sauce. It is my grandmother's recipe that my uncle modified and my mom named, and it changed everything about our business.

When I re-joined the family business after college in 1997, we shipped a few small orders to the United Kingdom, Hong Kong, and Canada. There was no brand awareness in the overseas markets, no product support, and no real marketing plan to speak of. The international buyers that we did business with found us at the San Francisco and New York food shows. We had no knowledge of the regulations and we basically did not know how to get into the game. We were dependent on the people in other countries to tell us what to do.

I knew there must be market demand in other parts of the world. With the help of the Foreign Agricultural Service, North Carolina Department of Agriculture, Southern U.S. Trade Association and MAP Funds, we researched countries, trends, market conditions, and potential customers. Our first international trade show was the Specialty and Fine Food Fair in London in 2003. It proved to be a huge success,

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MAP branded funds level the playing field for small businesses looking to expand into the international market place. They have provided the advice and guidance to enter into the market. Since 2004 our sales in the UK have increased 300%, and we now have a presence in over 30 countries.

Breaking into a foreign market doesn't happen overnight. It takes years of building familiarity by having a presence at trade shows, sending samples, advertising, in-store sampling, and building relationships with buyers to make a product successful on foreign soil. Add to this the fact that our foreign competitors are constantly increasing their investment in market promotions, and I hope you can see why without significant increases in MAP and FMD program funding, it will be impossible for the U.S. products to keep up. And while these same competitors are focusing their export dollars on the U.S., jobs on U.S. soil are at stake.

**Conclusion**

I know that increasing MAP funding means a major investment in the future of exports for our country. I represent the small business. We get up early, stay late, and don't take days off. We do this to be able to seize opportunities. This is not only an opportunity, but a partnership between the U.S. Government and all small businesses. The goals of this partnership are to benefit the small businesses by developing opportunities abroad, and to benefit our country by protecting and creating jobs, and to begin to correct the trade deficit by protecting small businesses across the country.

In closing, please vote to increase the MAP program budget to $325 million. I cannot stress enough the importance of MAP and FMD to the success of U.S. small business exports. Thank you, Mr. Chairman, for this opportunity to share with you and the Subcommittee some of our successes, and I would be pleased to respond to any questions you may have.

Mr. SALAZAR. Thank you, Mr. Ford.

We want to thank all of you who testified today for enlightening the Committee on these critical issues. Speaking on behalf of the Members of the Committee, we very much appreciate that.

Under the rules of the Committee, the record for today's hearing will remain open for 10 days to receive additional material and supplementary written responses from witnesses to any question posed by a member of this panel. This hearing of the Subcommittee for Specialty Crops, Rural Development, and Foreign Agriculture is adjourned.

[Whereupon, at 2:58 p.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

PREPARED STATEMENT OF DAVID BECKMANN, PRESIDENT, BREAD FOR THE WORLD

I appreciate the opportunity to submit written testimony on a subject very close to my own heart and a prime policy interest of Bread for the World.

Founded in 1974, Bread for the World is a Christian, nonpartisan organization supported by 45 denominations and more than 2,500 churches that works to bring about public policy changes that address the root causes of hunger and poverty in the United States and overseas. Bread for the World's 58,000 members lobby Congress and the Administration to this end, and mobilize a quarter of a million constituent contacts with Members of the U.S. Congress every year. Bread for the World helps concerned people learn about policy issues that are important to poor and hungry people, and then helps them turn this knowledge into positive political action.

The dimensions of global hunger are well known: More than 850 million people—half of them children—live in a state of chronic hunger and food insecurity; 25,000 die daily due to hunger and related ailments. We are seeing the Millennium Development Goal of halving global hunger and poverty by 2015 slipping from our grasp. For such demeaning hunger and poverty to persist when we have the technological and economic means of ending it is a moral affront to American values.

Food aid has been an important tool in combating global hunger, and has saved many lives, and the U.S. can rightly feel proud of its role as the world's most generous donor of food aid. Its efforts have saved millions of lives. However, the food aid program has also been burdened with ancillary objectives that undermine its effectiveness and efficiency in meeting the needs of hungry people around the world.

Bread for the World has as its fundamental mission seeking justice for hungry people. And while we appreciate the political argument for maintaining a broad coalition of U.S. support for food aid, we are convinced by our own polling results that ending global hunger is a topic that resonates with the U.S. public. Americans understand that this is fundamentally an issue of social justice, and that meeting the real needs of hungry and malnourished people should be *the* overriding objective of a U.S. food aid program.

The food aid environment has changed significantly from when Food for Peace was initiated over 50 years ago, and changes in the food aid program are overdue. One need is to simplify and clarify the multiple and sometimes conflicting objectives and statutory requirements, which cannot all be met. Specific legislative objectives set for U.S. food aid include, in addition to combating world hunger and malnutrition, "promoting broad-based, equitable and sustainable development," "developing and expanding export markets for U.S. agricultural commodities," "fostering and encouraging the development of private enterprise and democratic participation," and "preventing conflict." On top of these are added operational requirements, including minimum tonnage (generally met), sub-minimum tonnage for non-emergency programs (not met since 1995), and value added (generally not met). It is time to clarify the mandate of food aid, giving unambiguous priority to combating hunger and malnutrition.

Bread for the World favors a transition to demand-driven food aid, based more on the needs and opportunities and less on supply and availability. Food aid is no longer a surplus disposal program, and the volumes involved are too small to affect commodity prices in any but exceptional cases. In fact, food aid tends be pro-cyclical, so that food aid volume tends to decrease in times of high prices—such as the present—when the food needs tend to be the greatest. This is exactly counter to the stated objective of meeting the nutritional needs of the world's hungriest people.

Bread for the World believes that the farm bill should ensure ongoing and consistent U.S. assistance to people in need of emergency food and nutrition support around the world. This means increasing the authorized funding levels for emergency food aid—especially in light of recent agricultural commodity price increases.

We also need to recognize that commodity food aid is not always the most appropriate response to food insecurity, whether chronic or emergency. One life-affecting consideration is that of timeliness, ensuring the quickest response to emergencies or windows of opportunity. Other considerations include market impact—whether the commodity food aid serves as an incentive or disincentive to local or regional production and commerce—and commodity composition—i.e., whether the needs are best served by commodities or products available from the U.S. In order to facilitate the most effective and efficient responses to food insecurity, Bread for the World strongly supports providing the Office of Food for Peace with the flexibility to procure food locally or in the region. We think the Administration's request in the farm bill principles for authority to use up to 25 percent of Title II appropriations for local or regional purchase is a step in the right direction, and urge the Committee's support. Local and regional procurement is not going to be appropriate in every case

and needs to be carefully applied, but there is already sufficient information and experience on the part of the World Food Program, the NGO community and other donors to clearly demonstrate the circumstances under which this instrument can be effectively applied.

Along the same lines, we support loosening the restrictions that mandate the processing ("value added") of food aid and U.S. flag shipping. While these reflect legitimate interests, our main focus should be on meeting needs and saving lives, and employing the most appropriate and efficient means to that end. Surely, other means can be found for ensuring the viability of the U.S. merchant marine than by imposing onerous and costly restrictions on the shipment of food to meet the urgent nutritional needs of hungry people around the world.

The Bill Emerson Humanitarian Trust (BEHT) is another useful weapon in combating global hunger. We support changes that would render the BEHT more efficient and reliable in addressing food crises. These include making use of the BEHT easier and more transparent by clarifying the "trigger" for its utilization relative to Title II; increasing efficiency by directing it to hold reserves in the form of cash or options instead of commodities, thus reducing costs and increasing flexibility and responsiveness; and instituting provisions for regular replenishment.

The new farm bill could also open opportunities for poor countries to become more food self-reliant by reducing protectionist forms of assistance to U.S. farmers. Funding within the farm bill could be shifted from trade-distorting commodity payments to programs that would be much more helpful for rural America, especially for farm and rural families of modest means, and to nutrition assistance for hungry people in rural and urban America. These reforms, together with reduced protectionism in Europe and Japan, would remove significant obstacles to agriculture and food security for many of the world's poorest people.

Finally, we would like to encourage Members of this Committee to consider the problem of world hunger from the broadest perspective, recognizing that getting beyond chronic food insecurity requires developing recipient country capacity to produce and trade. Emergency commodity food aid is at one end of a spectrum of responses, and needs to be recognized as a temporary fix at best. The U.S. Government, along with other donors, needs to put more resources into effectively addressing long-term food security. International aid for agricultural development has plummeted over the past 20 years, from 11 percent to just 3 percent of ODA. Increased crop yields in developing countries—something achievable with current technologies—would have a profound and lasting impact on global hunger.

Growth in the developing world would also be good for U.S. agriculture. A 2006 study, commissioned by Bread for the World Institute and conducted by the International Food Policy Research Institute, showed that a 7 percent GDP growth rate in the developing world would generate nearly $26 billion in additional U.S. agricultural exports between 2006 and 2020.

We have the obligation and the opportunity to end hunger. We need to take advantage of every means for doing so. The changes to the food aid portion of the farm bill noted above will, I am confident, move the U.S. closer, in concert with the NGO community, the WFP and other donors, toward meeting this urgent objective.

In closing, I would like to call attention to our policy paper on food aid, "Feeding a Hungry World," issued in April 2006, a copy of which is submitted with this testimony. We would be happy to provide further information on any of the above points.

Thank you.

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PREPARED STATEMENT OF DAVID KAUCK, SENIOR TECHNICAL ADVISOR, CARE USA

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to present CARE's perspectives on the performance of United States international food assistance programs. Ensuring that our nation's food assistance programs achieve success at reducing hunger around the world is a critical challenge for all of us. CARE shares your commitment to combat hunger by providing effective and accountable programming wherever it is needed. CARE would like to express its great appreciation for all the support that both the Subcommittee and the Committee have given to programs using food aid.

CARE has been a cooperating partner of the Food for Peace program since it was established in 1954. Over the past 53 years, CARE has programmed more than 18.5 million tons of food from Food for Peace (valued at over $7.4 billion) to reach more than 200 million people. CARE operates food assistance programs today in twenty-

two countries in Africa, Latin America, and Asia.[1] In the half-century or so that U.S. food aid programs have existed in their current form, our work together has helped to save countless lives, and protect and improve the health and well-being of millions of people living on the edge of disaster. CARE is proud to be a part of this great effort.

CARE's approach to food assistance has evolved over the years. We began by focusing on the provision of food and other assistance to people facing the threat of famine. We still use food in this way, but we have learned that food resources alone, although valuable, are not enough to address hunger. To improve people's lives, we developed multi year programs that combine food assistance with other resources. These programs target the neediest people, often before a humanitarian emergency is apparent. They are designed to address the underlying causes of hunger and to strengthen poor peoples' capacity to cope with misfortune.

When it uses food aid, CARE's central focus is on helping poor people overcome hunger. Our objectives are always to save lives and protect livelihoods—while minimizing any unintended harmful consequences that might result from the use of food resources. CARE strives to use food only when and where it is appropriate.[2] Well-managed food aid continues to be an important component of a global strategy to reduce hunger.

While acknowledging the important contribution of U.S. food assistance programs, we also accept the challenges that we still face, and they are daunting. There are currently approximately 820 million undernourished people in the developing world.[3] Many of these people are now so poor that they lack the means to rebuild their lives following natural disasters or other humanitarian emergencies. These problems are particularly acute in sub-Saharan Africa, where, for at least the last 3 decades, hunger has steadily worsened, becoming more widespread and persistent over time. The growing numbers of highly vulnerable people who have fallen into extreme and intractable poverty helps to explain the increased frequency and severity of humanitarian emergencies, and the exploding demand for emergency food aid. In parts of the Horn of Africa, the Sahel, and southern Africa, events that would not have triggered major humanitarian emergencies twenty-five years ago do so now.

While humanitarian crises have increased, the funding needed to adequately support food assistance demands worldwide has declined by nearly half in real terms since 1980.[4] We recognize that these resource constraints will not be easy to resolve in the current budget environment. This is why everything possible must be done to improve the efficiency and effectiveness of food aid practices so that we can achieve the greatest impact possible with the resources that we have. One important way to achieve this is to improve the timeliness and targeting of food aid. Food aid is especially valuable when it arrives on time and reaches the people who need it most. If it is late or poorly targeted, essential food aid can be wasted. Worse yet, untimely deliveries and poorly targeted food aid can have unintended, and sometimes harmful, economic consequences.

With these concerns in mind, CARE recommends several specific changes to current policies affecting U.S. food assistance programming.

**Local Purchase**

CARE endorses increasing procurement flexibility in the Title II program so that food may be routinely purchased locally or regionally in developing countries. Under the right circumstances, having a local purchase option can reduce delays and improve program efficiency and effectiveness, and therefore save lives.

Although local purchase can be a useful tool under the right conditions, this approach must be undertaken carefully. If not managed properly, local purchase can trigger price spikes that are harmful to poor people who must purchase food in order to meet their basic needs. This is why we feel that a carefully monitored program would be a useful way to introduce this innovation.

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[1] In FY08, CARE will program Title II non-emergency resources in about 12 countries. This reduction is primarily due to the Office of Food for Peace's decision to focus its non-emergency resources in 15 countries. CARE was consulted by the Office of Food for Peace before this decision was made. CARE supports FFP's efforts to concentrate its non-emergency programs in those countries that are the most food insecure.

[2] CARE–USA, "White Paper on Food Aid Policy", 2006.

[3] Food and Agricultural Organization of the United Nations, "The State of Food Insecurity in the World: Eradicating World Hunger—Taking Stock Ten Years After the World Food Summit", (Rome: FAO Information Division, 2006) .

[4] Christopher B. Barrett, "The United States International Food Assistance Programs: Issues and Options for the 2007 Farm Bill", February, 2007.

**Better Strategies Are Needed To Provide Cash Resources for Food Security Programs**

In addition to direct distribution of food, there is a need for a reasonable level of cash assistance for complementary activities intended to reduce hunger. Experience has shown that cash-supported activities are often critical to the success of food programs. Although current law provides authority for limited cash assistance, CARE recommends that Congress increase the total amount of cash assistance provided within the Title II program and consider new strategies on how best to make those resources available.

Currently, the Title II program provides three conduits for distributing in-country cash support: (1) Section 202(e) funds, provided primarily for administrative and operational costs; (2) funding for Internal Transport, Storage and Handling for logistics-related support; and (3) proceeds from the sale of monetized commodities made available for costs associated with enhancing the effectiveness of Title II programs. The practice of purchasing commodities here in the United States, shipping those resources overseas, and then selling them to generate funds for food security programs is far less efficient than the logical alternative—simply providing cash to fund food security programs.

As a step towards improving the efficiency and effectiveness of non-emergency food aid programs, we recommend: (a) increasing Section 202(e) funding levels to at least 25% of the overall Title II appropriation; and (b) expanding Section 202(e) flexibility to permit the use of funds to enhance the effectiveness of program efforts. Not only would this substantially improve the cost-effectiveness of non-emergency programs, it would also eliminate a source of unnecessary controversy that hangs over U.S. food assistance. Economic research supports the view that open market sales of imported food aid may in some cases create market distortions that are harmful to local farmers, traders and economies. It also shows that monetized food tends to displace commercial imports, both from the U.S. and from other countries. For this reason, monetization became an especially contentious issue during recent WTO negotiations.

Mr. Chairman, for the reasons just described CARE has made an internal decision to phase out of monetization. This transition should be completed by the end of Fiscal Year 2009. In the future, CARE will confine its use of food aid to emergency and safety net programs that involve targeted distribution to the chronically hungry.

**The Bill Emerson Humanitarian Trust**

The Bill Emerson Humanitarian Trust was intended to function as a reserve of food and food-associated assistance funding that can be drawn upon quickly to address unanticipated, rapid onset humanitarian crises. Unfortunately, at present the Trust is difficult to access and is usually deployed as a last resort, rather than a first response. Two changes would help the Trust function as it was originally intended. First, to make the Trust more accessible, the conditions for releasing food and funds should be clarified in law. Second, we recommend modifying current law to ensure replenishment of resources as part of the normal, annual appropriations process. CARE is eager to work with the Committee to strengthen the statutory provisions affecting the Bill Emerson Humanitarian Trust in order to make this vital assistance tool as effective as possible.

**Addressing the Underlying Causes of Food Insecurity and Hunger**

Chronic hunger is often the result of multiple, deeply rooted causes. In the long term, achieving a lasting reduction in the incidence of chronic hunger will require: improvements in agricultural productivity; greater access to information, capital, basic education, health services, and technical training for the poor; and changes in the status of women and girls. This ambitious list obviously goes well beyond the mandates set forth in the farm bill. Indeed, it is beyond the means of any single donor government. But this crucial, broader objective is not impossible, and it is fully consistent with the values of the American people to help others help themselves.

Addressing the underlying causes of hunger will require setting common goals and promoting coordinated action across programs and agencies, as well as with national governments, implementing partners and other donors. Within the U.S. Government, there are several such initiatives underway. One example that CARE has direct experience with is Ethiopia's Productive Safety Net Program. Under this program, multiple donors, including the United States, engage in coordinated planning and action. All are working toward a common goal to reduce levels of food insecurity in a country where conditions for its poor have not improved, in spite of extraordinary levels of food aid since the 1980s. While food aid plays an important role,

the program does not rely on food aid alone. Program objectives include building infrastructure, expanding markets, diversifying and expanding the assets of poor households, and increasing the Government of Ethiopia's capacity to provide sustainable safety nets for chronically vulnerable citizens. We ask the Chairman and Committee members to consider this example as an encouraging model for coordinated action.

In closing, we must push ourselves to make food aid a more effective tool for reducing poverty and hunger.

CARE welcomes this opportunity to communicate our perspectives on U.S. food assistance policy at this important moment in the Committee's work. The intolerable crisis of 820 million hungry people worldwide represents a moral and ethical challenge to us all. But with your help, Mr. Chairman, I am convinced that we have both the will and the means to make a difference. CARE looks forward to working with the Subcommittee and the Committee in the months ahead to further strengthen the U.S. response to the problem of international hunger.

Mr. Chairman and Members of the Committee, thank you again for the opportunity to present our views. I would be pleased to answer your questions or provide additional information.

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## WHITE PAPER ON FOOD AID POLICY—CARE–USA

June 6, 2006

CARE International Vision: We seek a world of hope, tolerance and social justice, where poverty has been overcome and people live in dignity and security. CARE International will be a global force and a partner of choice within a worldwide movement dedicated to ending poverty. We will be know everywhere for our unshakeable commitment to the dignity of people.

### Introduction

Food aid has indisputably assisted and, in many cases, saved the lives of millions of people in the half-century or so that it has existed in its current form. CARE has long been associated with food distribution programs and can be justifiably proud of some of the accomplishments achieved through food aid programming in assisting poor, vulnerable, and crisis-affected people throughout the world. CARE believes that, if it is well managed, food aid continues to be an important component of a global strategy to reduce vulnerability and food insecurity. At the same time however, it is clear that many of the practices of procurement, distribution and management of food aid—as well as the politics of allocating resources for food aid—are not always compatible with the CARE International Vision and Mission Statement, adopted by the organization in 2001.

This paper is part of an ongoing effort to ensure that CARE–USA's policies for use of food resources are aligned with the organization's vision, mission and programming principles. In reviewing our policies, the CARE has sought to develop an understanding of the challenges and trends associated with food aid; to identify key policy options and their potential risks and implications; and to outline strategic directions that will position CARE to use food resources even more effectively. This paper briefly summarizes our analyses, options and directions.

### Rationale for CARE's Food Policy Review

Recent analysis has shown that under some circumstances food aid can harm local production and markets, undermining long-term food security. Studies have also shown that food aid is often not the most efficient use of resources for alleviating poverty. These findings oblige CARE to review our food aid policies and management practices in order to ensure that our strategies and practices are consistent with our goals and values.

Food aid has recently become the focus of important policy debates in the U.S. and abroad:

- Many features of the current system of food aid management have been challenged in the current round of trade negotiations at the World Trade Organization (WTO).
- In Washington, budget constraints in a time of increased demand for emergency food aid have resulted in inadequate funding, particularly for non-emergency food aid.
- The authorizing legislation for U.S. food aid—the farm bill—is soon to be renegotiated in Washington. The legislative process will provide another arena for debate about food aid.

These factors have important implications for how CARE approaches humanitarian response and other programs using food resources. They may also have important operational and budgetary consequences for some of our country offices.

In short, the rules of the game are changing with regard to food aid. CARE's Food Policy Review is part of its effort to actively engage in the food policy debate in order to encourage the evolution of food aid management towards being a more flexible and appropriate resource, while also being aware of the possible consequences of changes in food aid on our policies, programming, and budgets.

**Principles for Food Aid Management**

CARE adheres to its own six Programming Principles in all of its operations,[1] but specifically two principles guide our use of food resources:

1. When it uses food aid, CARE's central focus is on helping poor and vulnerable people overcome food insecurity and vulnerability. Our objectives are to save lives, protect livelihoods, reduce vulnerability, and address underlying causes of poverty-while monitoring for and minimizing any potential harm from using the resource.

2. CARE is committed to maximizing efficiency and impact, and minimizing unintended harmful consequences. CARE will use food aid only when and where it is appropriate. In CARE's view, appropriate roles for food aid include emergency response programs, safety net (asset protecting) programs, and a more limited role in asset building programs. CARE takes responsibility for managing food aid appropriately and will:

- Improve its understanding of local markets and patterns of vulnerability, so that it can make appropriate food aid management decisions.
- Target the right kind of assistance to the right people at the right time and in the right place.
- Ensure that when food is used, appropriate non-food complimentary requirements are also met.
- Ensure the flexibility to choose between food and other resources depending on local conditions. CARE will actively advocate for this flexibility with donors.
- Follow appropriate, internationally-accepted guidelines and codes of conduct, including the SPHERE Guidelines and the NGO Code of Conduct on Food Aid and Food Security.

**Specific Policy Decisions**

In its food aid review, CARE USA has focused on four major policy areas that affect the overall effectiveness of the food aid system and have potential implications for CARE programs. These are: local and regional purchases of food; monetization; U.S. Department of Agriculture (USDA) programs; and international trade, agricultural subsidies and food aid. After careful analysis, the following decisions have been made:

*1. Local/Regional Purchase*

CARE supports making funding available to purchase food locally or regionally in developing countries. The two main justifications for local and regional purchases of food supplies are (i) to reduce costs, delays and market distortions brought about by "tying" food aid to domestic procurement programs in the donor country and (ii) to increase procurement flexibility while providing economic opportunities for small farmers in countries where purchases are made.

CARE recognizes that local purchase is a complex undertaking. A greater understanding of local markets and potential risks and unintended consequences is necessary before engaging in local purchase on a significant scale. CARE will support efforts to increase the provisions for local purchase in donors' budgets. Some donors (especially the European Commission (EC) and Canada) have already moved towards more local/regional procurement.

*Our reasoning:*

1. Currently, most food aid (including virtually all U.S. food aid) must be sourced from the donor country (i.e. in WTO language, it is "tied aid"). This means that:

[1] CARE's Programming Principles are: Promote empowerment; Work with partners; Ensure accountability and promote responsibility; Address discrimination; Promote non-violent resolution of conflicts; and Seek sustainable results.

- Food aid deliveries can be slow and expensive. The average time for delivery of Title II emergency food aid from call forward to arrival in-country is 5 months.
- Food aid is nominally tied to the export and surplus disposal objectives of the exporting country.
- Imported food aid can cause commercial displacement, causing harm to traders and local farmers.
- The cost of tied food aid has been shown to be significantly higher—in many cases 30–50% higher—than alternative, non-tied sources of food aid.[2]

2. The local purchase option will increase procurement flexibility. In countries (or regions) where food supplies are adequate and where markets function properly, shifting from imported food aid to local purchase has the potential to significantly reduce delays and delivery costs. It can also provide important economic opportunities for small farmers in countries where food purchases are made. However, certain caveats need to betaken into consideration:

- Most humanitarian organizations have only recently begun to experiment with local purchase. Experiences to date are still being assessed, and no broad consensus has yet emerged about when to resort to local/regional purchase and how to best manage it.
- It is clear that local purchase is a complex undertaking. It brings significant operational challenges and risks, as does the use of imported food aid.
- The appropriateness of local purchase will depend on various factors, including highly variable local market conditions.
- If not managed properly, local purchase can cause harm. Of particular concern is the possibility that local purchase, in places where markets do not function effectively, will trigger price spikes for basic food stuffs. Surging prices can be very harmful to poor people who must purchase food in order to meet their basic needs. New analytical procedures are required to predict and monitor the impact of local and regional purchases.

*2. Monetization*

By September 30, 2009, CARE will transition out of monetization—that is, the sale of food aid to generate cash for humanitarian programs. The only exceptions will be where it can be clearly demonstrated that monetization can be used to address the underlying causes of chronic food insecurity and vulnerabilities with reasonable management costs and without causing harm to markets or local production. CARE will use monetization *only* when it is sure that the food which is monetized reaches vulnerable populations and has effective targeting of poor people with limited purchasing power. This will result in minimum or no displacement of domestic production.

CARE's transition away from monetization will take into consideration the project cycle in our country offices, replacement of lost revenue by alternative sources, and any other adjustments needed in our country offices and headquarters. It also means that all country offices submitting Multi-Year Activity Plans (MYAPs) for USAID/Food for Peace in the current fiscal year will need to ensure that their programs do not have a monetization component after September 30, 2009.

CARE recognizes that the elimination of monetization will probably lead to a reduced stream of cash resources for some country offices. CARE will seek ways to replace some monetization proceeds, in part, by advocating for the conversion of monetization funds to cash accounts and for the allocation of additional resources to address underlying causes of food insecurity.

CARE will advocate the adoption of a principled approach by the U.S. Government and Private Voluntary Organizations (PVOs) that addresses the potential harm to markets and local production as well as the high management costs associated with monetization.

*Our reasoning:*

For many years, monetization has been a useful source of funding for programming to protect and enhance the livelihoods of poor people. However, there are three major problems with monetization:

1. Experience has shown that monetization requires intensive management and is fraught with risks. Procurement, shipping, commodity management, and com-

[2] OECD (2005) "The Development Effectiveness of Food Aid: Does Tying Matter?" Paris: OECD.

mercial transactions are management intensive and costly. Experience has shown that these transactions are also fraught with legal and financial risks.

2. Monetization is economically inefficient. Purchasing food in the U.S., shipping it overseas, and then selling it to generate funds for food security programs is far less cost-effective than the logical alternative—simply providing cash to fund food security programs.

3. When monetization involves open-market sale of commodities to generate cash, which is almost always the case, it inevitably causes commercial displacement. It can therefore be harmful to traders and local farmers, and can undermine the development of local markets, which is detrimental to longer-term food security objectives.

*3. U.S. Department of Agriculture (USDA Programs)*

Most of the food resources programmed by CARE come from the P.L. 480 Title II (USAID/ Office of Food for Peace). Occasionally, CARE has utilized other resources, managed by the USDA, including food resources from Title I and Section 416b, whose stated objective is to support U.S. farmers, and Food for Progress, whose stated purpose is to promote free enterprise and competition in agricultural economies.

CARE takes the position that food aid should not be used to enable a donor to establish an unfair commercial advantage and must not create disincentives to local production and markets. CARE believes two USDA programs, Title I (concessional sales) and Section 416(b) (surplus disposal) are inconsistent with its position and therefore will phase out of participation in these programs. Regarding a third program, Food for Progress, CARE's stance is more complex. In many contexts, the goal of Food for Progress Programs is compatible with CARE's focus on addressing the underlying causes of poverty. However, in recent years past, some of the food aid provided under Food for Progress has come from Title I or Section 416(b), and much of it has been monetized. CARE will not accept Food for Progress Resources that originate from those resources; nor will CARE monetize from this (or any other) program.

In practice, these policies are likely to mean that CARE will receive little support from Food for Progress.

*Our reasoning:*

1. The USDA food programs under Title I and Section 416b: Title I programs involve concessional (subsidized) sales of food for the stated purpose of promoting export market development for U.S. goods. Section 416(b) programs involve disposal of surplus production.

- Evidence shows that these programs actually have no measurable effect either as strategies to promote the development of export markets or as price support mechanisms.
- However, tying food aid to domestic agricultural priorities makes it difficult to maximize the cost-effectiveness and minimize the unintended harmful consequences of food aid.

2. Food for Progress: While the goal of this is broadly compatible with CARE's focus on the underlying causes of poverty:

- Some of the resources programmed under Food for Progress come from Title I and Section 416(b).
- Much of the food aid programmed under Food for Progress is monetized.

*4. International Trade, Agricultural Subsidies and Food Aid*

Generally, CARE supports free and fair trade as far as it does not increase food insecurity and vulnerability of poor and marginalized populations. By focusing on the impact of that trade liberalization, CARE believes that it can make an important contribution in this area to the trade debate. Of particular interest is the possibility that the proposed reduction of agricultural subsidies and trade barriers may be linked to reform of the food aid system, a development that could lead to the elimination of safety nets at a time of rising commodity prices, thus causing the erosion of poor people's purchasing power and access to food.

CARE will enhance its capacity to understand how the poor are likely to be affected by trade liberalization. In order to do this, it will build on and improve CO capacity to document and analyze patterns of vulnerability and to assess the impact of changes in trade policy. It will also work in partnership with research organizations that have expertise in economic analysis and vulnerability assessment. Finally, it will carry out a series of case studies in a small number of countries to document the effects of trade liberalization on poor people.

*Our reasoning:*

Current debates about food aid are, to some degree, linked to a much larger discussion about international trade and agricultural subsidies. In the Doha Round negotiations of the WTO, European negotiators have demanded stringent restrictions against tied food aid, in-kind food aid, and non-emergency food aid (including monetization) in exchange for substantial reductions in European agricultural subsidies. In short, achieving dramatic reductions in agricultural subsidies may in the end be offset by dramatic changes in the way food aid is currently organized and managed.

The potential impacts of these policy changes are complex. A significant reduction of agricultural subsidies in developed nations is expected to cause international agricultural commodity prices to rise. Broadly speaking, this trend will lead to uneven development, producing economic opportunities for some and harmful consequences for others. The rise of commodity prices is expected to create economic opportunities for households, firms and countries that produce and sell agricultural commodities. At the same time, households and countries that must purchase food in order to meet basic needs will have to cope with rising commodity prices. This can be expected to erode purchasing power and deepen patterns of poverty amongst the urban poor. In rural areas, the impact will be mixed. Rising commodity prices can be expected to provide benefits for small farmers and traders. However, many poor households whose food production is insufficient to meet basic needs may find that a higher percentage their income must go for food purchases.

Some have argued that reforming the food aid system in exchange for the reduction of agricultural subsidies is a good deal for poor farmers. Others have pointed out that eliminating subsidies will cause hardship for poor people who purchase food, and that linking the reform of the food aid system to economic liberalization would have the effect of eliminating safety nets precisely at the moment when they are most needed.

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May 21, 2007

**VIA COURIER & E-MAIL**

The Honorable Mike McIntyre (D-NC)
Chairman
Subcommittee on Specialty Crops,
Rural Development, and Foreign Agriculture Programs
House Committee on Agriculture
Longworth House Office Building, Room 1301
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

On behalf of the Maritime Food Aid Coalition, I respectfully submit herewith the Coalition's statement for the record in connection with the hearing conducted May 10, 2007 to review food aid programs. The members of the Coalition include the following (listed alphabetically):

- America Cargo Transport Corp.
- American Maritime Congress
- American Maritime Officers
- American Maritime Officers' Service
- APL Limited
- International Organization of Masters, Mates & Pilots
- Liberty Maritime Corporation
- Maersk Line, Limited
- Marine Engineers' Beneficial Association
- Maritime Institute for Research and Industrial Development
- Seafarers International Union
- Sealift, Inc.
- TECO Ocean Shipping, Inc.

WINSTON & STRAWN LLP

The Honorable Mike McIntyre
May 21, 2007
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- TECO Transport Corp.
- Tosi Maritime Consultants, LLC
- Transportation Institute

As required by Rule XI, Clause 2(g)(4), I affirm that the coalition, organized solely for the purposes of presenting this testimony and advocating for the food aid programs, has received no Federal contracts or grants during the current fiscal year or either of the two previous fiscal years.

Thank you for considering the Coalition's testimony.

Very truly yours,

Bryant E. Gardner

Enclosures

## STATEMENT OF THE MARITIME FOOD AID COALITION

Submitted for the Hearing Record
of the
Committee on Agriculture
Subcommittee on Specialty Crops, Rural Development,
and Foreign Agriculture Programs
United States House of Representatives
May 21, 2007

Mr. Chairman, Members of the Subcommittee, this statement is respectfully submitted on behalf of the ad-hoc maritime food aid coalition[1] composed of the organizations listed below.

The coalition supports the continued vitality of our nation's food aid programs, and respectfully provides the following points in connection with Administration's farm bill proposal to permit the purchase of commodities overseas using up to $300 million of P.L. 480, Title II food aid funding, as well as the proposal for a smaller "pilot" program in this regard which some, outside the U.S. Government, have advocated.

This foreign or "local" purchase proposal, with minor variations, has already been made by the Administration for FY 2006 and FY 2007 and rejected by the Congress each time. There is nothing new in the current proposals, global food aid requirements, or available resources to justify a different response by the Congress now.

Proponents of foreign purchase have argued that it is faster and less costly than the shipment of American commodities. However, the benefits of foreign purchase are unclear, and there are many serious risks.

### I. Foreign Purchase Undercuts Support for P.L. 480 and Will Likely Result in a Decline in Food Aid

Saving lives for over 50 years, P.L. 480 is the workhorse of humanitarian assistance the world over. The program has endured for many reasons. Sharing their abundance with those in need overseas appeals to the generosity of the American people. Shipped from the Heartland to ports overseas in vessels flying the American flag, donated American commodities stamped "Gift from the American people" act as ambassadors, spreading goodwill towards our country and helping to address some of the root causes of international terrorism.

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[1] The ad hoc coalition is composed of the America Cargo Transport Corp., American Maritime Congress, American Maritime Officers, American Maritime Officers' Service, APL Limited, Global Container Lines Ltd., International Organization of Masters, Mates & Pilots, Liberty Maritime Corp., Maersk Line, Limited, Marine Engineers' Beneficial Association Maritime Institute for Research and Industrial Development, Seafarers International Union, Sealift, Inc., TECO Ocean Shipping, Inc., TECO Transport Corp., Tosi Maritime Consultants, LLC, and the Transportation Institute.

P.L. 480's longevity is also due in large part to the broad-based support from the many sectors of the economy it stimulates. Americans working on farms, in food processing, domestic inland transportation, ports, and the U.S. merchant marine, as well as many Americans in the broader U.S. economy, benefit from the direct and economic ripple effects of the program, and have helped ensure its sustained political support. Foreign purchase would cut the link between the American people, their economy, and P.L. 480, eliminating crucial support at a time when competition for budget dollars is already acute.

Experience shows that foreign purchase drains support for food aid programs and results in an overall drop in aid levels. In 1996, the European Union ("EU") passed a law leading to local food aid purchases.[2] The result has been a decrease in EU donations. The overall food security budget line decreased from approximately a half billion euros in 1997-98 to 412 million in 2005. Andrew Natsios, former AID Administrator, cautioned against relying too heavily on cash transfers for foreign purchases: "Relying on cash food aid will not work," he said. "Look at the numbers from Europe: After the Commission and member states began moving to cash, their contributions fell by 40 percent."[3] He has also noted that their food aid has "declined really significantly from 4 million tons a year to 1.4 million tons a year"—a 60 percent decrease.[4]

The broad appeal of donating American commodities has allowed Food for Peace to thrive over the last 50 years. Converting this uniquely successful program into a pure welfare program whereby American taxpayers are asked to commit to a direct wealth transfer, with no corresponding benefit for the American economy, will likely undercut its support just as it undercut support in Europe.[5]

## II. USAID Already Has Authority And Funding for Foreign Purchase

Operating under the authority of § 491 of the Foreign Assistance Act of 1961,[6] USAID's Office of Foreign Disaster Assistance ("OFDA") responds to humanitarian emergencies overseas. OFDA uses this authority to purchase commodities locally and distribute them in

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[2] Edward J. Clay, European Food Aid: Untying and Budgetary Flexibility at 3 (Dec. 16, 2004) (citing Council Regulation (EC) no. 1292/96 of June 27, 1996 on Food Aid Policy and Food Aid Management and Special Operations in Support of Food Security, *Official Journal L* 166. Brussels July 5, 1996.).

[3] Will Lynch, InterAction: American Council for Voluntary International Action, "Making Food Aid Work" (May 22, 2006). *See also* James Lutzweiler, World Vision Food Security and Food Programming Advisor, Much ado about food aid: Misdirection in the midst of plenty (Jan. 19, 2006) (delivered at Overseas Development Institute Conference "Cash and Emergency Response") ("The EU has already demonstrated a cut in aid to any type of food aid program. Since shifting to a cash-based concept of food security, the EU's contribution to global food aid has decreased by 40 percent. Is there a correlation between cash-based aid and a reduction in food aid? The volume of food aid worldwide has plummeted from 15 million metric tons in 1999 to 7.5 million metric tons last year, and the portion of aid dedicated to agricultural development has dropped sharply from 12 percent in the early 1980's to roughly 4 percent today. Ironically, this has happened despite a dramatic increase in Overseas Development Assistance to nearly $80 billion annually.").

[4] Andrew S. Natsios, USAID Administrator & Karan Bhatia, Deputy U.S. Trade Representative, Press Briefing at the World Trade Organization, Hong Kong Ministerial Negotiations (Dec. 14, 2005) (Mr. Natsios speaking).

[5] For a broad discussion advocating the use of cash aid to establish a world welfare program, *see* Paul Harvey et al., *Cash Transfers—Mere 'Gadaffi Syndrome', or Serious Potential for Rural Rehabilitation and Development*, 97 Natural Resource Perspectives (Overseas Development Institute, March 2005).

[6] Pub. L. No. 87-195, 75 Stat. 424.

emergencies when appropriate.[7] There is no need for new legislation to provide authority for local purchases.[8]

Some advocate a new foreign purchase pilot program for emergency response inside Food for Peace. However, there is no need for a pilot program when there is already a government office dedicated to disaster emergency response through foreign purchase commodities.

## III. The Benefits of Foreign Purchase Are Doubtful

### A. Is foreign purchase really faster?

Foreign purchase advocates argue that P.L. 480 commodities funding must be converted to cash for foreign purchases in order to assure timely delivery of commodities. However, numerous options exist for expediting the delivery of food aid provided under P.L. 480.

Every day of the year, food aid is moving through the pipeline and out across the world. Rapid response has been achieved in the past by diverting aid flows from less urgent projects. For example, this was done following the January 25, 2001 earthquake in Gujarat, India,[9] as well as during the floods of 2003 in West Bengal.[10] Following the Indian Ocean tsunami in late 2004, the United States was able to divert quickly an entire shipload of its food aid to needy survivors. In 2006, a shipment was diverted to Lebanon before it had physically left port in the United States, and was available to unload only 17 days later.

Time savings are also achievable through prepositioning. USAID has recently established a sizeable commodities prepositioning site at the Al Rashid terminal in Dubai, and has plans for another in Djibouti, East Africa. Ensuring reliable, secure storage of high-quality U.S.-donated commodities at the place of need offers significantly more promise than the abandonment of the Food for Peace program.

Cash is not necessarily faster than in-kind food aid. United Nations World Food Programme ("WFP") senior public affairs officer Gregory Barrow has explained that "in an ideal world," WFP would prefer the flexibility of cash donations. "The practical world," however, "is somewhat different. We have found in the past that even when there is a division in terms of donors—with those who give food aid in kind and those who give in cash—food aid has been quicker to arrive than cash," citing to the 2005 Darfur emergency when U.S. aid arrived ahead of European cash donations.[11]

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[7] The President's FY 2007 budget explains that OFDA distributes "supplementary food" along with other emergency relief and the OFDA 2002 Annual Report indicates that OFDA locally purchased 350,000 bags of wheat flour for airlift to Afghanistan.

[8] Notably, OFDA enjoys annual budget carry overs. *See, e.g.*, OFDA, Annual Report 2006 ($45 million budget carry over to FY 2007). Additionally, the USAID Budget Appendix for FY 2008 shows a $65 million balance carried forward at the end of FY 2007.

[9] Will Lynch, When to Purchase Food Aid Locally (Bread for the World, 2006).

[10] *Id.*

[11] Joel J. Toppen, Should the U.S. End In-Kind Food Aid? Assessing the Case for Cash at 7 (Oct. 2006) (quoting Gregory Barrow).

**B. Purported cost savings of foreign purchase are dubious**

Various academic commentators, other observers, and the Administration in its foreign purchase budget proposals maintain that converting food aid to cash aid will result in cost savings, freeing-up funding for more aid and saving more lives. Even assuming the unlikely outcome that aid funding would be the same for cash as it is for U.S.-grown commodities, the purported savings are unclear.

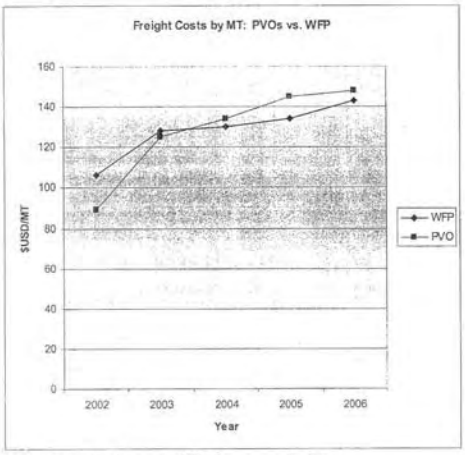
In its April 2007 report, *Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of Food Aid*, GAO presents WFP's program as a more efficient model and suggests that WFP transports food aid at an average of $100 per metric ton ("MT"), representing slightly more than 20 percent of procurement costs. In support of its $100/MT number, GAO cites WFP's "WFP in Statistics" published July 2006, which shows at Table 13 that ocean transportation costs per MT are $97. In comparison, GAO analyzes Kansas City Commodity Office ("KCCO") data regarding shipments of U.S. food aid and concludes that U.S. food aid administrative and freight costs are much higher.

First, Table 13 is internally inconsistent and, on its face, not reliable in that it reflects both bulk and liner (bagged, containerized) shipments with $97/MT freight rates. Bulk and liner shipping are two entirely different systems of ocean transportation and cannot realistically have the same average cost per metric ton.

Second, GAO's comparison is really one of apples to oranges. WFP data cited at Table 13 of "WFP in Statistics" segregate overland transport costs from ocean freight, whereas the KCCO data upon which GAO relies for its U.S. food aid numbers include inland costs. Thus, the KCCO data numbers reflecting U.S. food aid shipments include significant additional costs that do not burden the WFP Table 13 freight rates of $97/MT. James Lutzweiler, World Vision's Food Security and Food Programming Advisor, recently explained: "Whether commodities are purchased locally or shipped internationally, transport is a significant cost of the overall program. Inland transport and storage can, at times, account for up to 35-40 percent of the overall program budget. When comparing a dollar-for-dollar exchange between international food aid and local purchase, the additional costs are not always included in the analysis. For appropriate program implementation, proper storage and handling of the commodity are essential for success."[12]

Third, WFP commodity shipment costs cannot be clearly compared to U.S. food aid costs because they overlap substantially. That is, many WFP food aid shipments overseas are U.S. food aid donations shipped by KCCO using the same facilities available to the other humanitarian relief organizations through which USAID/KCCO distribute commodities, i.e., private voluntary organizations ("PVOs"). Thus, it is not surprising that WFP and PVO shipment costs for KCCO donated commodities track one another closely:

[12] James Lutzweiler, World Vision Food Security and Food Programming Advisor, Much ado about food aid: Misdirection in the midst of plenty (Jan. 19, 2006) (delivered at Overseas Development Institute Conference titled "Cash and Emergency Response").

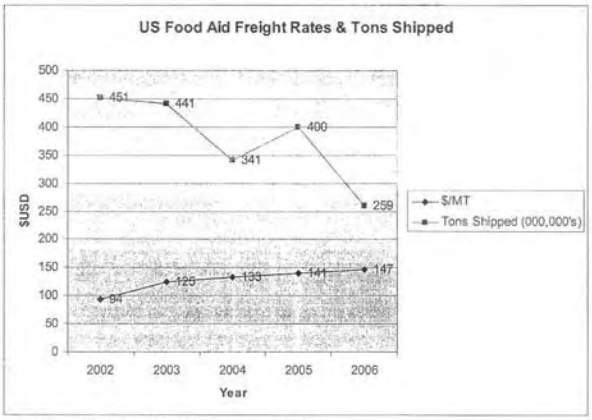



Source: Kansas City Commodity Office Procurement Database

Finally, if one looks strictly at the apples-to-apples KCCO shipment data, which is qualitatively consistent and does not labor under the same methodological infirmities as the Table 13 rates, PVOs paid an average of $125/MT whereas WFP paid an average of $127/MT.

GAO also states in its report that rising transportation and "business" costs have contributed to a 52 percent decline in average tonnage delivered over the last five years because ocean transportation has been accounting for a larger share of procurement costs. Specifically, GAO states that by 2006, U.S. food aid shipment costs rose to $171/MT, such that non-commodity expenditures rose to 65 percent of program costs.

The KCCO data do not support freight costs anywhere near $171/MT, and GAO does not explain to what extent the alleged increase in transportation and "business" costs have contributed to a decrease in commodities shipped. However, there is no clear correlation between food and freight costs and tons of food aid shipped. For example, total tons shipped increased from 3.4 million in 2004 to 4 million (17 percent) in 2005, even though freight rates increased from $133/MT to $141/MT (6 percent) over the same period:




Source: Kansas City Commodity Office Procurement Database

Furthermore, it is not at all uncommon for transportation costs alone to absorb as much as 50 percent of the cost of a shipment—even in a commercial transaction.[13] And as for WFP, its non-commodity costs were 66 percent for 2006, which is even greater than the non-commodity costs incurred by U.S. food aid shipments.[14]

Some advocates of foreign purchase have unfairly targeted cargo preference, suggesting that it makes in-kind food aid more expensive and that its elimination through foreign purchase programs would make more funding available for commodities. These criticisms reflect a misunderstanding of the role of cargo preference and its impact upon food aid.

Cargo preference requires that 75 percent of food aid cargoes be shipped on U.S.-flag ships that tend to be more costly because of taxes, health and safety laws, and other U.S. regulations not imposed upon foreign-flag ships.[15]

[13] USDA, Agricultural Marketing Service, Transportation Services Branch, Frequently Asked Questions, *available at* http://www.ams.usda.gov/tmd/TSB/faq.htm.
[14] World Food Programme, Annual Accounts (2006): Part I, No . WFP/EB.A/2007/6-F/1/1 at 6 (Apr. 27, 2007). If one excludes "programme support and administration," the percentage of costs for non-commodities is still 63 percent, virtually indistinguishable from the GAO number of 65 percent for U.S. food aid.
[15] 46 U.S.C. §§ 55305(b) & 55314(a).

Provisions of the Merchant Marine Act, 1936 prevent the additional cost of using U.S.-flag vessels, i.e., "Ocean Freight Differential" or "OFD", from draining funding for commodities from aid budgets. First, the law requires that MARAD reimburse USDA for that portion of OFD corresponding to the final third of preference shipments, from 50 percent to 75 percent of cargoes shipped U.S. flag ("incremental OFD").[16] Second, MARAD reimburses USDA to the extent that ocean freight (U.S. and foreign flag) and the incremental OFD noted above exceed 20 percent of the total cost of commodities, ocean freight, and OFD.[17] The cost of OFD and this cost as a percentage of program total commodity and transportation costs have declined substantially from FY 2000 to FY 2005, due to changing market conditions.[18] For example, foreign-flag rates have risen, driven by growth in demand generated in substantial measure by the expanding Chinese and Indian economies, which growth has been not been met by the relatively inelastic supply of large oceangoing cargo vessels. U.S.-flag rates have not increased apace.

The same legislation that authorizes cargo preference also caps the rates that may be charged. U.S. flag vessels are subject to "fair and reasonable rates" for the carriage of preference cargoes, as defined by the United States Government.[19] Therefore, just as U.S. maritime operators are protected from the bottom of the market by cargo preference, they are also prevented from scoring windfall profits.

### C. Food aid provides needed donor flexibility

There is already global balance among donors of cash versus commodities. The EU gives predominantly cash aid, and Canada has now converted to 50 percent cash aid, such that WFP's income is approximately 80 percent cash, 13 percent commodities.[20] The United States is one of the few remaining donors that provides food. If the United States moved away from food and towards cash for local purchase, WFP would lose flexibility over all.[21] Indeed, many food aid managers and PVOs are quick to question why even more aid must be given as cash when the majority of aid is already given in that form.[22]

In 2006, WFP received $2.3 billion in cash (but only $376 million in commodities), carrying over $2 billion to 2007.[23] Rather than dismantle the world's most successful food aid program, some of this WFP cash could be made available for local purchase when absolutely necessary to avert an emergency and, in fact, this is exactly what happens.

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[16] 46 U.S.C. § 55316(a).
[17] 46 U.S.C. § 55316(b)
[18] MARAD, Office of Cargo Preference data, November 2006.
[19] 46 U.S.C. § 55305(b). The U.S. Maritime Administration enforces this requirement by, *inter alia*, reference to the average profits derived from Fortune's top 50 U.S. transportation companies.
[20] World Food Programme, Audited Biennial Accounts (2002-2003): Section I, No. WFP/EB.A/2004/6-B/1/1; World Food Programme, Audited Biennial Accounts (2004-2005): Section I, No. WFP/EB.A/2006/6-A/1/1. The remaining income, approximately 7 percent, comes from sources such as investment income.
[21] Tonetta Landis, InterAction: American Council for Voluntary International Action, The Food Aid Debate: What is it All About? (May 22, 2006).
[22] *Id.*
[23] World Food Programme, Annual Accounts (2006): Part I, No . WFP/EB.A/2007/6-F/1/1 (Apr. 27, 2007).

## IV. Dangers of Foreign Purchase

### A. Corruption and market manipulation

Proponents of foreign purchase promise great things but little is said about the risks of foreign purchase. Sending USAID into a developing country with millions of dollars to spend raises the specter of corruption and market manipulation. Aid agencies already experience a certain degree of "shrinkage" in the commodities they distribute. Consider the panoply of purchase fees, taxes, duties, and import licenses imposed upon rich donor countries when they arrive, lining the pockets of politicians, bureaucrats, and businessmen while cutting into the purported cost savings of foreign purchase.

Market manipulation is another serious problem. WFP routinely pays over-market, both because its massive demand spikes prices in smaller local/regional markets, and because traders know they can take advantage. Following the European move to local purchase in 1996, a study by the Ethiopian Ministry of Economic Development and Cooperation found that the aid agencies were charged 12 percent over prevailing market purchases.[24] The Ministry concluded that the likely result was windfall profits to grain traders without passing on any benefits to farmers and the expenditure of scarce resources that could have been used to create other benefits.[25] In the end, the Ministry found that the cost of local commodities was only "slightly below the landed imported cost of comparable quality grain."[26] Similarly, a recent review of WFP's local purchase program in Uganda revealed that a small group of bidders conspired to rig bids and manipulated prices for aid commodities. This was made easier by the tight oligarchical nature of traders having the wherewithal to meet tenders locally—even in a relatively developed market with a decade of local purchase history such as Uganda.[27]

### B. Unreliable suppliers

WFP has also found local supply to be unreliable. Without functioning contractual enforcement and regulation, traders can and do simply walk away from contracts to take advantage of better opportunities.[28] Perhaps more disturbing, they have been found to withhold available grain while people starve in order to take advantage of expected increases in price as

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[24] Ethiopia Ministry of Economic Development and Cooperation, Grain Market Research Project, Market Analysis Note #4 at 4 (Mar. 1997); Ministry of Economic Development and Cooperation, Addis Ababa, Grain Market Research Project, Meeting Food Aid and Price Stabilization Objectives Through Local Grain Purchase: A Review of the 1996 Experience (May 1997).

[25] Ministry of Economic Development and Cooperation, Addis Ababa, Grain Market Research Project, Meeting Food Aid and Price Stabilization Objectives Through Local Grain Purchase: A Review of the 1996 Experience at ii (May 1997).

[26] *Id.*, Executive Summary.

[27] James Lutzweiler, World Vision Food Security and Food Programming Advisor, Much ado about food aid: Misdirection in the midst of plenty (Jan. 19, 2006) (delivered at Overseas Development Institute Conference "Cash and Emergency Response").

[28] Ugo Gentilini, World Food Programme, Cash and Food Transfers: A Primer at 9 (2007) ("Traders maximize profits. In some cases, it may be more lucrative for them to delay food deliveries to certain localities as part of a normal strategy based on price fluctuations over seasons. When crises hit it may therefore be risky from a humanitarian perspective to rely on markets. . . . In Ethiopia, a United Nations mission report warned that 'traders delivered [food] either too late or in the majority of cases not at all, putting their financial interest over the interest of the needy population.'").

the food emergency festers.[29] Lastly, there have been numerous accounts of sellers adding stones and other foreign matter into grain sold to WFP by weight. To counter these risks, purchasing agents must institute costly quality checking and supplier evaluation programs, further eroding any local purchase price advantage with an unwieldy administration to recreate the U.S. regulatory environment that is already bundled into safe, reliable, high-quality American commodities donated through Food for Peace.[30]

### C. Market disruption

There is no disagreement that large-scale aid efforts cannot be undertaken locally without disrupting local markets.[31] Will Lynch, a 20-year veteran in international relief and development in Africa, Asia, and Europe, has explained: "It is simple economics that the local purchase of thousands of tons of commodities for emergency food aid will drive up the local price. Higher prices will force people who were not food insecure to either cut their consumption due to the price increase or become recipients of food aid themselves."[32] Even the most ardent supporters of local purchase do not deny the potential for disastrous effects upon local food markets.

Conversely, there is little to suggest that local purchase actually helps local markets. There has been no evidence that local procurement is having a positive effect on inter-annual price stability in the supplying countries.[33] Local suppliers do not store and allocate their commodities across harvests, and aid agencies do not time their purchases to soften the impact on local markets. Indeed, local purchases in Ethiopia were found to be the highest in 2003 when estimated market surplus was lowest.[34] Uganda experienced a major maize price crash in 2001, resulting from the combined effect of a bumper crop in Kenya and minimal WFP purchase for much of the year. In contrast, heavy WFP intervention in 2003 caused severe price rises in Kampala in the April-August period.[35] Ten years after the Europeans commenced their local purchase program in earnest, the problem persists, with local purchases peaking in the lean season or amidst drought and famine.[36] The result is that foreign traders benefit at the expense of

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[29] *Id.*; Will Lynch, When to Purchase Food Aid Locally (Bread for the World 2006).

[30] Will Lynch, When to Purchase Food Aid Locally (Bread for the World 2006); *See also* John Rivera & Conn Hallinan, *Food Aid or Band-Aid?*, Foreign Policy in Focus (Aug. 30, 2006) (relating problem of quality control with unregulated third-world traders, including presence of stones in grain sacks to increase weight and volume).

[31] Christopher B. Barrett, Food Aid and Commercial International Food Trade at 1 (2002) ("food aid clearly displaces commercial sales of food contemporaneously in recipient countries"); Will Lynch, When to Purchase Food Aid Locally (Bread for the World 2006); John Rivera & Conn Hallinan, *Food Aid or Band-Aid?*, Foreign Policy in Focus (Aug. 30, 2006) ("The local purchase of commodities for emergency food aid may drive up the local price. It may force people who were not food insecure to either cut their consumption due to price increase or to become recipients of food aid themselves."

[32] Will Lynch, When to Purchase Food Aid Locally (Bread for the World 2006). Lynch also reported that in the Sahel in 2005, local commodity traders anticipated that relief agencies would be buying locally available cereals to meet emergency feeding needs in Niger. From May through August, traders bid up the price of grain in the warehouses. This speculation had the double-edged effect of raising prices for the urban consumer and forcing aid agencies to reduce local purchases to avoid further market disruption, thereby limiting the commodities immediately available for the truly food insecure.

[33] David J. Walker et al., Policy implications arising from the development impact of local and regional procurement of food aid at 12 (Natural Resources Institute, Dec. 2005).

[34] *Id.*

[35] *Id.*

[36] *Id.* at 13.

farmers, food processors, transportation companies, ports and taxpayers in America and other donor countries.

And what of the future? It may be that USAID will forever spend millions of tax dollars in overseas commodities markets. If not, there will be significant market shock when donors do cease cash purchases locally. In this situation, farmers who have committed the investment to raise production and meet the artificial demand from overseas aid will suddenly find the bottom dropping out of the market, leading to widespread economic malaise. Of course, this effect is tempered if, as in the case of WFP, few aid dollars marked for so-called "local purchase" are actually spent in the less developed countries receiving aid.

The major food exporting countries are in the best position to capture the benefits of untied U.S. food aid. This is because they are still subsidized and enjoy numerous economies of scale and technological efficiencies not found in lesser developed countries. Most "local" purchases are not even purchased in the aid recipient country, but are triangular purchases from third countries and WFP reports that that "over the past five years there has not been a significant increase in purchasing from LDCs, despite cash being available. Instead, purchases have increased in other developing countries—mainly large exporters of cereals like Turkey and South Africa—who are better placed in terms of location and capacity to respond to the large and sudden demands of food aid that are typical of emergency situations."[37]

According to WFP, it procures only a third of its food in both least-developed countries and low income countries, combined.[38] WFP procures the next 40 percent in lower- and upper-middle income countries, and approximately a quarter of its food in developed countries.[39] Even putting aside developed countries, upper middle income countries such as Turkey and South Africa (which supplies nearly 60 percent of the cross-border food aid in Africa as "WFP's most important source of maize")[40] are agricultural competitors, not appropriate targets of humanitarian aid dollars in the same category as aid recipient countries.

Spending hundreds of millions of U.S. tax dollars with our agriculture competitors is not only bad policy, but bad politics.

## V. Conclusion

We believe that the foreign purchase proposals are unwise. Their basic premises of increased efficiency, effectiveness, and speed of delivery remain unproven. There are also serious potential problems with the foreign purchase proposals including corruption, accountability, profiteering, quality, reliability, safety, market disruption, and loss of a visible

[37] Sonali Wickrema, World Food Programme, Food Aid and Untying of Aid: Opportunities and Challenges for the Least Developed Countries at 4 & 6 (2004).
[38] WFP, Update on WFP Procurement, No. WFP/EB.A/2006/5-1 at 4 (May 23, 2006).
[39] *Id.*
[40] David Tschirley, "Local and Regional Food Aid Procurement: An Assessment of Experience in Africa and Elements of Good Donor Practice" at iv (2007); WFP, Update on WFP Procurement, No. WFP/EB.A/2006/5-1 at 6 (May 23, 2006). *See also* Update on WFP Procurement at 9 (The top two recipients of WFP procurement dollars were South Africa and Canada, respectively, in the first quarter of 2006). These countries, like Saudi Arabia, are in the "upper middle income" category on the DAC List of ODA Recipients.

symbol of American generosity when our nation's foreign policy and national security already face daunting global challenges.

Above all, we want to emphasize the risk these proposals represent to the entire U.S. food aid program and thus to recipients in need around the globe. There is no substitute for the current U.S. food aid program. We provide one-half of the world's food aid, 60 percent of WFP's total food resources, and three times the level of all EU food aid.

American food aid programs have endured because they appeal to a wide cross-section of interests. In-kind food aid provides jobs and stimulates economic activity at home while feeding the hungry overseas, and the domestic constituency has been an invaluable ally in the efforts of the Congress to sustain and increase food aid. When the EU discontinued in-kind food aid, donations dropped dramatically, proving that there is no constituency for sending cash welfare payments overseas. Today our Nation's vital security requirements and other pressing domestic priorities demand every dollar in the available budget. Cash aid, with no constituency to fight for it and competing with other pressing national priorities, would simply melt away.

We cannot see the logic in abandoning the five-decades of sustained public support, success, and effectiveness of American food aid for direct cash transfers abroad. In all likelihood, these proposals will not lead to more food for the hungry, but less. The in-kind food programs of P.L. 480 have been a bulwark of American food aid policy since the days of the Marshall Plan, and they deserve the strong support of your subcommittee, the Congress, and the entire nation.

Thank you, Mr. Chairman.

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National Corn Growers Association
Statement Submitted for the Hearing Record to the
House Committee on Agriculture
Subcommittee on Specialty Crops, Rural Development and Foreign Agriculture
To review food aid and agriculture trade programs operated by the U.S. Department of Agriculture and the U.S. Agency for International Development
May 10, 2007

The National Corn Growers Association (NCGA) represents more than 32,000 corn farmers from 48 states. NCGA also represents more than 300,000 farmers who contribute to corn check off programs and 26 affiliated state corn organizations across the nation. NCGA's mission is to create and increase opportunities for corn growers in a changing world and to enhance corn's profitability and usage across this country. This year National Corn Growers Association celebrates its' 50th anniversary.

Title III of the farm bill authorizes trade programs designed to develop and expand commercial outlets for U.S. commodities and to provide international food assistance. NCGA recognizes the importance of Title III of the 2002 Farm Bill, commonly referred to as the Trade Title, in continuing to strive towards the goals of our organization—to create and increase opportunities for corn growers.

In 2006, U.S. corn production was 10.54 billion bushel and exports were estimated to be 2.20 billion bushels. Global trade was estimated to be 3.35 billion bushel, with U.S. share at 65.8%. NCGA estimates that U.S. corn distillers dried grains (DDGS) production will reach over 30 million tons by Marketing Year 2010/2011. U.S. exports of DDGS are increasing. DDGS exports between January and August 2006 were 24 percent higher than the same period the year prior.

The Market Access Program (MAP) and Foreign Market Development Cooperator Program (FMD), both administered by the United States Department of Agriculture's (USDA) Foreign Agricultural Service (FAS), help promote U.S. agricultural products – including corn and corn co-products – in key overseas markets. The U.S. Grains Council represents corn, barley and grain sorghum producers in these markets using funds from these two important market development programs and our growers. Both MAP and FMD expire at the end of 2007, as mandated in the 2002 Farm Bill. These programs use funds from the Commodity Credit Corporation (CCC) to create, expand, and maintain long-term export markets for U.S. agricultural products.

The U.S. Grains Council is working to ensure the U.S. grain industry can reap maximum benefits from investments in these programs. More markets are discovering DDGS as a result of the U.S. Grains Council's efforts to promote this ethanol co-product worldwide. The results of these efforts are illustrated by the first DDGS shipment of 6,402 metric tons to Egypt, which arrived on April 12, 2006. On the other side of the world, we have

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seen significant increases in DDGS exports to Southeast Asia. Indonesia, Malaysia, Philippines, Thailand and Vietnam imported a total of 79,640 metric tons between October 2005 and March 2006, an increase of 222 percent compared to the same period the year prior.

DDGS demand has also markedly increased in recent years in Mexico. Between 2002 and 2005, U.S. exports of DDGS to Mexico increased 269 percent to 104,294 tons. U.S. Grains Council has encouraged the use of DDGS in Mexico by conducting feeding trials and educating nutritionists and feed buyers on including it in feed formulations to maximize economic and nutritional value. The results of the Council's 2005 feeding trials conducted in Veracruz, Mexico, are used to promote this ethanol co-product by U.S. Grains Council Mexico staff when they attend national and regional trade shows.

U.S. Grains Council also participates in other important on-the-ground activities. For instance, future sales of some 250,000 metric tons of U.S. corn and co-products were contracted following the Third Southeast Asia – U.S. Agricultural Cooperators Conference, sponsored in part by the U.S. Grains Council. Conference attendees represented a cross section of livestock producers, feed millers and importers. After the seminar, participants noted that both the topics covered during the conference and the opportunity to network with others in the industry – especially U.S. exporters – are what keeps them coming back year after year. "This is the only conference of its kind that bring industry together in a non-competitive environment, allowing them to interact, negotiate, and hopefully go home with some new information or insight provided by the international panel of speakers that we invite every year," said Kimberly Rameker, regional director for Southeast Asia. "That's really the draw for the buyers in Southeast Asia and what keeps them coming back, on their own dime, year after year."

The U.S. Grains Council continues work to fulfill their mission of developing markets for U.S. grains and co-products. NCGA supports reauthorization of mandatory monies for both the MAP and Foreign Market Development (FMD) programs in the upcoming farm bill.

The Commodity Credit Corporation (CCC), U.S. Department of Agriculture, administers export credit guarantees for commercial financing of U.S. agricultural exports. The guarantees encourage exports to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without CCC guarantees. The Export Credit Guarantee Program (GSM-102) covers credit terms up to three years and underwrites credit extended by the private banking sector in the United States (or, less commonly, by the U.S. exporter) to approved foreign banks using dollar-denominated, irrevocable letters of credit to pay for food and agricultural products sold to foreign buyers.

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In Fiscal Year 2006, the GSM-102 program received $195.1 million total in exporter applications for feed grains from Korea, the Caribbean, Central America, and South America Regions, a significant decrease in utilization from $279.5 million in FY2005. This decline represents a lost opportunity for U.S. exports and market share, and would also threaten the ability of the program to generate income from guarantee fees sufficient to cover operating costs and losses over the long-term, as dictated in the ruling on USDA export credit programs by the Brazil WTO dispute panel. For FY2007, as of February 16, 2007, the program had received applications from Korea, Caribbean, Central America, South America and Southeast Asia Regions. NCGA policy directly supports GSM-102 without limitation to type of amount of commodity purchased. Currently, the CCC selects agricultural commodities and products according to market potential.

NCGA is a member of the Agricultural Food Aid Coalition which is comprised of a broad coalition of groups representing American farmers, food processors, and agribusiness. NCGA strongly supports the continuation of our time-tested and effective US produced food commodity donation programs and the current structures of US food aid programs.

In-kind food donations are a source of pride for American taxpayers, farmers, food processors and agribusinesses and express our sincere and long-term commitment to humanitarian assistance. Our food, clearly labeled "Gift of the People of the United States," is the most visible manifestation of the good will of the United States in the developing world.

The Agricultural Food Aid Coalition has drafted principles on food aid for Congress to consider when writing the Farm Bill. NCGA is a signatory to those principles, and we understand they have been submitted under separate cover for today's hearing record.

Finally, on a different note, USDA's farm bill proposal includes a request to authorize the provision of technical assistance meant to help agricultural industries resolve trade disputes. While it is true that limited resource agriculture industries may face difficulty when pursuing unfair trade barriers, as Foreign Agricultural Service Administrator Michael Yost has acknowledged, "U.S. agricultural sectors have themselves been challenged in either the WTO or by other countries' trade laws." Our government is charged with defending its constituents and as such, USDA works closely with USTR when agricultural industries have been challenged. However, these challenges have been brought without regard to size and most assuredly are or will be an additional burden to all affected industries.

NCGA supports an overarching concept of discretionary authority for the Secretary of Agriculture that could provide enhanced support and assistance to any agricultural industry facing a trade dispute. However, at present, the Administration seems to intend that size of industry alone be the trigger that allows the question to be asked whether

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there is benefit to U.S. agriculture in devoting any further assistance towards the particular trade dispute at hand. The trigger instead should be whether or not there is benefit to be gained for U.S. agriculture from the additional assistance.

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