

FOOD AID PROGRAMS

HEARING

BEFORE THE

SUBCOMMITTEE ON SPECIALTY CROPS
AND FOREIGN AGRICULTURE PROGRAMS

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

JUNE 16, 2005

Serial No. 109-10



Printed for the use of the Committee on Agriculture
agriculture.house.gov

U.S. GOVERNMENT PRINTING OFFICE

22-153 PDF

WASHINGTON : 2005

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FOOD AID PROGRAMS

THURSDAY, JUNE 16, 2005

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON SPECIALTY CROPS
AND FOREIGN AGRICULTURE PROGRAMS,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:00 a.m., in room 1300, Longworth House Office Building, Hon. William Jenkins (chairman of the subcommittee) presiding.

Present: Representatives Hayes, Neugebauer, Goodlatte [ex officio], McIntyre, Melancon, Chandler, and Peterson [ex officio].

Staff present: Brent Gattis, Pelham Straughn, Lynn Gallagher, Lindsey Correa, Callista Gingrich, clerk; Andy Baker, and Russell Middleton.

OPENING STATEMENT OF HON. WILLIAM L. JENKINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. JENKINS. Good morning, everybody. Today we convene the Subcommittee on Specialty Crops and Foreign Agriculture Programs to review food aid programs. Today's hearing gives the subcommittee an opportunity to look at the needs, capabilities and obstacles that face many players in distributing food aid to millions of food-deprived people across the world.

We have invited witnesses from every aspect of the distribution of food, from the producer organizations, to the private voluntary organizations, to USDA and USAID. It is important for members of this subcommittee to understand how vital international food aid is in promoting goodwill to countries that need food. It is also important to understand that food aid is important to American farmers who produce the food, American businesses who process, package and transport the food, and the American PVOs who are on the ground making sure the food goes to those who really need it.

I hope this hearing will be educational for our members who may not have had the time to explore this important part of our jurisdiction. The purpose of the hearing is to have a general review of food aid programs and a variety of witnesses will give us an overall view of how food aid programs operate.

I look forward to exploring some of the obstacles and problems that participants of the food aid programs face. I am interested to hear from USAID on their budget proposal that would transfer \$300 million of the Agency's \$1.2 billion food aid funding for 2006 that would be used to purchase foreign food in areas experiencing

emergency food situations. I am also interested to hear from all participants on their concerns about how the WTO is progressing in negotiations concerning food aid. I look forward to the testimony of all the witnesses.

Now I would like to recognize Mr. McIntyre from the State of North Carolina, the ranking member of this subcommittee, for an opening statement.

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

Mr. McINTYRE. Thank you, Mr. Chairman. Thank you for calling this hearing today, and thanks to all of you all for joining us.

The United States is the world's largest donor of food assistance, with program levels exceeding \$2 billion in most years. Since enactment of the Food for Peace Program over 50 years ago, we have donated over \$70 billion to developing countries and other countries in need around the world; and we have done so under laws that specifically prohibit our programs from disrupting commercial markets for agricultural products.

Despite these generous programs, there is more need for food aid than the United States can meet alone. Over 800 million people go to bed hungry each night, which is why the United States has encouraged other countries to step up to the plate and provide more food aid.

It is ironic that over 50 years after the humanitarian crisis in Europe following World War II, which prompted the establishment of our food aid programs, it is now the European Union that is insisting on drastic changes to those programs; and the current WTO negotiations on agriculture in Europe insists that our programs be equated with their \$2 billion export subsidy programs.

U.S. negotiators have correctly pointed out that article 10.4 of the Uruguay Round provides protection for commercial markets. Nevertheless, the framework agreed to last July provides that additional disciplines shall be agreed to to prevent commercial displacement through food aid operations.

There is already a system in place to monitor compliance with these principles. The WTO should defer to the United Nations Food and Agriculture Organization Consulted Subcommittee on Surplus Disposal as the appropriate organization to monitor surplus disposal. This subcommittee has both developing country and donor country participation. It is under the auspices of a development organization and can consider the needs of recipients more fairly than the WTO. It is time for the European Union to stop making excuses and start delivering on its promises to negotiate in good faith on an end to export subsidies.

Mr. Chairman, I do thank you again for calling this hearing to review these life-saving programs—because, indeed, that is what they are—and look forward to working with you as we look at ways to improve the way we deliver the food to those in need.

Mr. JENKINS. Thank you, Mr. McIntyre.

I would like to ask that other subcommittee members submit their opening statements for the record so that we can begin with the witnesses.

[The prepared statements of Chairman Goodlatte and Mr. Peterson follow:]

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

Thank you Mr. Chairman for holding this hearing on the food aid programs administered by the Department of Agriculture and the Agency for International Development. USDA and USAID work together to provide help to needy people around the world through the several food aid programs they administer.

You may remember, it was 1-year ago today, the committee held a hearing to review Iraqi agriculture issues. Our witness from USAID was Mr. Garvelink, who is here again today. I asked what would happen if the U.S. food aid programs were not in place and Mr. Garvelink responded that "people will die." During this past year America's food aid programs have provided help around the world—from the Indian Ocean tsunami and earthquake disasters in December 2004, to the most recent announcement of food aid to Ethiopia and Eritrea.

The major program for food assistance is the P.L. 480 program—better known as the Food for Peace Program. This program uses the abundant agriculture productivity of U.S. farmers to provide food around the world.

Title I of Public Law 480—Food for Peace—provides for long-term concessional sales of U.S. agricultural commodities to support economic growth in countries that need food assistance.

Title II of the Food for Peace program provides both emergency and non-emergency help to people around the world. Title II emergency food aid is provided to those who, because of disasters or prolonged civil strife, require food assistance to survive the emergency and begin the process of recovery. For non-emergency help, faith-based and other private, non-governmental organizations and the World Food Program directly implement title II development programming. Development food aid is used to improve food access, availability, and utilization.

USDA's Food for Progress Program provides donations of agricultural commodities to needy countries to encourage economic and agricultural reforms that foster free enterprise.

Section 416(b) programs provide donations of commodities in surplus of domestic program requirements for assistance to developing and friendly countries.

The McGovern-Dole International Food for Education and Child Nutrition Program provides for donations of U.S. agricultural products and financial and technical assistance for school feeding and maternal and child nutrition projects in low-income, food-scarce countries committed to universal education.

I congratulate Chairman Jenkins on holding this hearing. It is important for all to have a review and a clear understanding of the programs designed to help hungry people around the world.

There are two issues I want to raise here. The first is the administration's proposal to transfer \$300 million from the Food for Peace program to purchase foreign food instead of United States food to feed people around the world. I strongly oppose that proposal and have so indicated to the officials at USAID.

The second issue I want to mention relates to the WTO agricultural negotiations going on in the Doha Development Round. Any effort to limit or restrict the forms of food assistance provided by developed countries to poor countries must be strongly resisted. In the past some countries have proposed that food aid be limited to cash or provided only to United Nations or international agencies for distribution. I strongly oppose any and all such proposals.

I will mention again the words of Mr. Garvelink in response to my question 1-year ago today. What happens if the U. S. food aid programs are not in place? Mr. Garvelink said "people will die."

Thank you Mr. Chairman.

PREPARED STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MINNESOTA

Mr. Chairman I'm worried about what we are hearing about the WTO negotiations on export competition, including the discussions on food aid. We hear all about the benefits but nothing about the price we will pay.

When they agreed to the framework last July, the administration seemed thrilled with itself because the EU had agreed to talk about someday, maybe ending their \$2 billion export subsidy program. What no one said much about was the language on food aid that basically said we will talk about new rules on food aid to prevent

commercial displacement. What I fear is that the agreement could lead to the elimination of some of our food aid programs.

For over 50 years the U.S. has been the world's leader in providing food for those in need. Since enactment of Public Law 480 not too long after World War II, the United States has worked in partnership with private voluntary organizations, cooperatives, millers, and shippers to deliver over \$70 billion in food aid. This lengthy private and public experience represents the most effective force in the world for dealing with the hunger that 800 million men, women, and children face on a daily basis.

But that doesn't faze European negotiators, who have decided that Europe has a better way to deliver food aid. About 10 years ago, Europe made some changes in its food aid program to give it more flexibility in procuring commodities for food aid. With these changes, Europe has managed to bring the percentage of the food aid it gives that is sourced from Europe down from about 99 percent to about 77 percent. Unfortunately, Europe has also managed to bring the level of its food aid donations down from levels of about 2.5 million tons of cereals annually prior to the change to about 1.2 million tons annually in recent years. In fact, the United States now provides about 59 percent of the world's total food aid compared to only 26 percent from Europe.

Europe's complaints about the U.S. food aid program probably have less to do with concerns about food aid displacing commercial sales than with its need to find an excuse to keep its export subsidy program in place. As others have said, there is already a system in place to make sure that food aid does not interfere with commercial sales.

What is especially disappointing is the administration's ambiguity on food aid issues. While our WTO negotiators tell us they are defending our food aid programs, the Administration keeps sending mixed signals by pledging not to use section 416, in 2003, and more recently by seeking to shift \$300 million from P.L. 480, title II, where it would be used to donate US produced commodities, to a USAID account where it would be used to purchase non-U.S. commodities.

These moves undermine the position of our negotiators in Geneva, and the political support for food aid here at home. And that means more people will face hunger. I urge the administration to provide clear guidance for the upcoming farm bill so that we will be able to fully understand its intentions with regard to our food aid programs. If the farm bill concludes before the Doha Round, there will be little appetite for additional changes to food aid programs that we have just finished amending in the farm bill.

Mr. JENKINS. The first panel of witnesses consists of Mr. Kirk Miller, who is General Sales Manager of the Foreign Agricultural Service, U.S. Department of Agriculture—welcome, Mr. Miller. And Mr. William Garvelink, who is the Acting Assistant Administrator for the Bureau for Democracy, Conflict, and Humanitarian Affairs, USAID, in the Department of State. Welcome, sir.

Mr. Miller, are you ready to proceed?

**STATEMENT OF W. KIRK MILLER, GENERAL SALES MANAGER,
FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF
AGRICULTURE**

Mr. MILLER. Yes, sir.

Good morning, Mr. Chairman and members of the subcommittee. It is a pleasure and honor to be here this morning representing USDA in this discussion; and it is also a pleasure to be here with Mr. Garvelink from AID, who we work with very closely in addressing these important matters.

I think that I would like to start my comments off to say that the American people can be very, very proud of the contributions that the American people and the U.S. Government in particular, provide to addressing world hunger and development needs and antipoverty measures around the world. I think that that has been mischaracterized recently in the press, and I think that we ought

to start off right up front and say that we can all be very proud of the major contribution that we are making in that regard.

The administration remains committed to the international goal adopted at the 1996 World Food Summit to reduce by half the number of chronically hungry people by the year 2015. At the 2002 World Food Summit, the United States outlined three critical priorities for achieving that goal of reducing hunger by increasing agricultural productivity, ending famine, and improving nutrition worldwide.

The United States has long been the world's leading food aid donor, as has been mentioned already. In addition, in the last few years the administration is implementing a wide range of complementary initiatives designed to help improve world food security. These efforts include creation of the Millennium Challenge Corporation, the Initiative to End Hunger, the Global Fund to Fight HIV/AIDS, our Agricultural Science and Technology Initiative, which was held in California a couple of years ago, the doubling of official development assistance, debt relief and global trade liberalization.

We stand ready to meet ongoing emergency food needs and to help nations strengthen their own agricultural sectors. An excellent example of how effective we can be in meeting emergencies is the effort to move food to people in Asia who were devastated by last year's tsunami. As part of a \$350 million U.S. pledge, USDA rerouted food aid totaling about \$17 million to nations most in need; and within a matter of days, USDA provided 15,000 tons of rice to Indonesia and Sri Lanka; and USAID provided 21,000 tons of rice, corn soy blend, soybean oil and peas. Another example of our ability to respond quickly to emergencies was the provision of 200,000 tons of wheat to the people suffering in Darfur last December under the Bill Emerson Humanitarian Trust.

Just last week, the President and British Prime Minister Tony Blair announced jointly their intention to seek increased efforts to fight hunger and address humanitarian needs in Africa. The United States announced an additional approximately \$674 million for humanitarian emergencies in Africa. This is on top of the \$1.4 billion we have already committed to emergency response to Africa this year. That means a total commitment of over \$2 billion to humanitarian efforts in Africa in the last year.

USDA, working with USAID, will provide wheat, vegetable oil, pulses and corn soy blend to supply vitally needed nutrition to address the basic food needs of 14.2 million in Ethiopia and Eritrea. All the commodities will be shipped through the title II program managed by USAID; and the wheat will be provided to the title II program from the Bill Emerson Humanitarian Trust, which is managed by USDA.

The Bill Emerson Humanitarian Trust is a commodity and cash reserve held by the Commodity Credit Corporation. It was created in the early 1980's under a different name to ensure that the United States can help meet emergency food needs in a timely manner. The Trust currently is comprised of 1.4 million tons of wheat and \$107 million in cash.

In addition to managing the Trust, USDA administers title I of Public Law 480, the Food for Progress Program, the McGovern-

Dole International Food for Education and Child Nutrition Program, and section 416(b) of the Agricultural Act of 1949. Most of these programs are focused on longer-term economic development goals rather than emergency needs.

In fiscal year 2005, we estimate that we will provide about 930,000 metric tons of commodities valued at \$290 million under the USDA programs.

Under Public Law 480 title I, the food aid priority is accorded to countries that meet certain criteria, including undertaking economic development to improve food security and agricultural progress; to alleviate poverty; and to promote broad-based, equitable, sustainable development.

Title I provides for U.S. Government financing of sales of U.S. agricultural commodities to developing countries. Financing is provided on concessional terms for up to 30 years, with a grace period and low interest rate. In fiscal year 2005, USDA plans to provide \$40 million in such credits. The commodities are sold in the recipient country, and the proceeds used to fund agricultural economic and infrastructure development.

The funds for the Food for Progress Program come from USDA's Commodity Credit Corporation as well as from appropriations under the Public Law 480 title I program. Currently, these funds support grant programs. In fiscal year 2005, USDA plans to use \$94 million from title I funds for this purpose. In addition, Food for Progress activities funded through CCC are expected to total about \$137 million for commodities, transportation and administrative costs.

The goal of the Food for Progress Program is to help countries make difficult economic and political transitions, especially those governments that increase private-sector activity. Donations help developing countries and emerging democracies implement economic and agricultural reforms, recover from conflicts, assist with transitions under trade agreements, and fill gaps between production and consumption.

In 2005, USDA focused on these objectives when allocating resources; and USDA gave priority to programs in countries recovering from conflicts, such as Afghanistan and Burundi, and countries about to implement trade agreements that will require economic transitions, such as those in Latin America, and in countries with large food gaps to help improve nutrition.

Our newest USDA food aid program is the McGovern-Dole International Food for Education and Child Nutrition Program. The fundamental goal of this program is to use food as an incentive to improve education and nutrition. For fiscal year 2005, USDA is negotiating 17 Food for Education agreements in 15 developing countries. These programs will assist an estimated 3.4 million beneficiaries, primarily school children; and overall about \$87 million will be available to provide 98,000 tons of food.

Each Food for Education proposal is reviewed using three criteria: First of all, it is providing incentives to help offset cultural barriers that limit education of girls; lessening the need for children to work rather than go to school; and improving literacy rates, school attendance, and spending by the recipient country on education.

USDA is also able to donate commodities obtained through domestic support programs under section 416(b) of the Agricultural Act of 1949. Currently, the only commodity available for foreign donations under this authority is nonfat dry milk that USDA has acquired under the Dairy Price Support Program. We will be donating about 38,000 tons under the section 416(b) authority this year.

There are challenges ahead, both of you have mentioned the importance of the Doha Round talks and negotiations. We recognize that the ongoing Doha Round of negotiations could have important implications for food aid. For developing nations, trade liberalization is a vital key to market access development and to economic growth. Trade is one of the best means of generating the capital investment needed for growth. Jobs are created, employment grows, incomes rise, and the living standards of millions can be lifted as opportunity spreads throughout the economy. We remain committed to negotiations to achieve broad-based farm trade reform that tackles export subsidies, market access and subsidy reform and, very importantly, preserves the opportunity for private voluntary organizations to participate in food aid programming.

While we think the current rules governing food aid are adequate, we understand that new disciplines in food aid will likely be a part of the final WTO agreement. The real challenge will be agreeing on disciplines that encourage donors to meet vital humanitarian and development needs, while assuring no commercial market displacement.

The calls by some WTO members for cash-only food aid presents another challenge for meeting the food aid needs of the poorest people. As you know, the administration's fiscal year 2006 budget requests that a small portion of Public Law 480 be funded through cash assistance, which would feed more people.

What the world really needs is more food aid commodities, more cash and more donors, not new, impractical rules that require everyone to contribute in exactly the same way. Any new disciplines applied to food aid should be discussed by international food aid experts, not only by the trade negotiators.

Several other factors also affect food aid efforts, such as tight Federal budgets and the sheer number of worthwhile requests. In any given year, we receive far more food aid proposals than we have funds to support. Using the principles of the President's Management Agenda, we have further refined the targeting criteria that I outlined earlier. We have met with the food aid community on several occasions to provide guidance on the criteria we will use to evaluate fiscal year 2006 proposals. We are targeting our programs to low-income countries with food deficits. For the Food for Progress Program, we are looking at countries that are advancing in the areas of political rights and civil liberties. For the Food for Education Program, we are looking at countries' levels of female literacy and completion rates for primary education. We anticipate that our efforts to target food aid will become even more critical in the face of limited resources.

Through our partnership with USAID and the private sector, we will continue to build on the long-standing American record of generosity providing food aid and development assistance.

And, Mr. Chairman, I want to reiterate what I said at the beginning. I think the American people can be very proud of the contributions they are making to alleviate hunger and poverty around the world.

Mr. JENKINS. Thank you, Mr. Miller.

[The prepared statement of Mr. Miller appears at the conclusion of the hearing.]

Mr. JENKINS. Mr. Garvelink.

STATEMENT OF WILLIAM J. GARVELINK, ACTING ASSISTANT ADMINISTRATOR, BUREAU FOR DEMOCRACY, CONFLICT AND HUMANITARIAN AFFAIRS, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. GARVELINK. Thank you.

Mr. Chairman, members of the subcommittee, I welcome the opportunity to meet with you today to talk about food security in the developing world and the role that U.S. food aid plays in meeting global food needs. It is also a pleasure to be here with my colleague from USDA, Kirk Miller.

I would like to take this opportunity to thank you, Mr. Chairman, and members of your subcommittee and your staffs for supporting the Public Law 480 title II program, which is a critical tool in fighting hunger and poverty worldwide.

The past several years have proven to be some of the toughest in recent history, with severe food shortages and political crises in east and southern Africa, in Asia and in the Middle East. Throughout this period, the United States has been a major contributor in the effort to avoid large-scale hunger-related disasters.

Thus far, the United States has helped avert wide-spread famine in Ethiopia through the provision of millions of metric tons of food assistance over the past 4 years. Our programs have also fed 4.5 million people in Darfur, in southern Sudan, and millions more in southern Africa. We continue to carry out successful emergency and nonemergency food assistance interventions in challenging environments in Afghanistan and in many other countries in Asia, Latin America and Africa.

On June 7, the President announced that the United States would fund the remaining emergency food needs of over 14 million people in the Horn of Africa through Public Law 480 title II and the Bill Emerson Humanitarian Trust; and he also challenged other donors to address humanitarian needs throughout Africa.

Public Law 480 title II represents the largest amount of U.S. Government resources committed to fighting global food insecurity. We have provided over \$6.5 billion in assistance since 2000. Title II programs support the G-8 effort to wipe out the conditions that lead to famine.

In fiscal year 2004, USAID provided \$1.7 billion worth, or 2.1 million metric tons, of food in 64 countries. Nevertheless, current emergencies continue to deepen and new crises continue to emerge, overwhelming existing capacities. The usual way of doing business is insufficient to meet the growing food needs.

The challenge is to use cash and food resources in ways that save lives now while preventing emergencies in the future. Flexible instruments will be the key to our success. That is why in the fiscal

year 2006 budget the President is requesting \$300 million in cash food aid to respond to life-threatening food emergency situations.

Food grown by American farmers will continue to be the cornerstone of our response to food emergencies, but each situation is unique, and USAID desires as much flexibility as possible to respond quickly and appropriately to each emergency. The ability to purchase food at or near the scene of an emergency will help us save lives, save money and fill critical gaps while waiting for U.S. commodities to arrive.

In promoting food security on a global scale, USAID, with USDA, is presently involved in influencing the World Trade Organization's debate on food aid. Some of the WTO members would like to do away with in-kind food aid. The U.S. has made two presentations at the WTO in Geneva and to the G-77 permanent representatives in Rome on U.S. food aid policies and programs. We will continue to do all we can to ensure that the WTO Doha development round does not restrict in-kind food aid.

Changes in the global security environment have heightened the importance of USAID's assistance, including food aid. President Bush's national security strategy acknowledges the importance of fighting poverty abroad. The strategy defines three pillars of our foreign policy as defense, diplomacy and development. Recognizing that we cannot solve all of today's problems with military or diplomatic resources, he reiterated the importance of what development practitioners do in preserving our national security.

Our food programs provide a significant level of resources for those working on the ground to save lives and sustain livelihoods, ultimately building societal structure and stability to prevent countries from becoming breeding grounds for terrorist activities.

Despite all we are doing and all the rest of the world is doing to win the war on hunger, the number of chronically malnourished people continues to rise, now totaling more than 850 million people. In light of this, USAID continues to explore ways to maximize their flexibility to program resources in the most successful and cost-effective way possible.

I would like to thank you again for the support that the subcommittee has given to assist USAID in meeting food security needs around the world. I would be pleased to answer any questions you may have. Thank you.

[The prepared statement of Mr. Garvelink appears at the conclusion of the hearing.]

Mr. JENKINS. Thank you, Mr. Garvelink.

Certainly we appreciate the fact that both of you have reiterated for the entire world, and especially for this committee, the good work that the departments that you are both with do.

Mr. Garvelink, you did not, I don't believe, quantify the time that would be saved or necessarily the transportation costs that would be saved in the event that your proposal becomes law to spend an additional amount of money to buy foreign food under these programs. But to propose to spend \$300 million is that not a vast departure from the policy of the past that would perhaps violate one of the dual purposes of how we operate this program, and that is of helping American agriculture?

Mr. GARVELINK. Well, it is a change in the approach we would be taking to provide humanitarian assistance to people who need food aid. What we are finding is that, in the world today, there are enough resources to go around. I agree with my colleague, Mr. Miller, that we need more donors. More donors have to make greater contributions, and it can't be left to one government to meet the world's food needs. But there are ways that we can use our resources more efficiently and faster, and that is to provide cash at some points.

There are some emergencies in the world, and they are not every emergency, but some of them where speed counts, and that will save lives. If we can purchase commodities in and around Darfur, Sudan, for example, we can get the commodities there in a week or two, rather than waiting 4 or 5 months. It is a very slow process, getting food into central Sudan. So it has got to be a mixture of the two. It is not one or the other.

We certainly are not proposing by any stretch that we substitute cash for food aid. They have to work together. The principle activity always has to be Public Law 480 title II, but there are circumstances where we have to be able to move quicker to save lives. And I think when the President made his budget proposal he said it would very clearly be used in circumstances where cash would make a difference in saving lives.

If we have an emergency that is under way in southern Sudan that is beginning, we can plan for that. But sometimes there are pipeline breaks because a ship sinks, other donors don't come through with their contribution. In the middle of a conflict, there is a pause in the war; and we can actually get through quickly to provide food to people we couldn't reach before. Those are the circumstances that we would suggest using cash. So those are sort of the time differences.

Our general estimation is that, if we buy food locally, it is about 20 percent cheaper than—the World Food Program's cost is about 20 percent cheaper than shipping it from the United States, 20 percent. So that is a bit of a cost savings. We can probably purchase another hundred thousand tons of food, which would have the potential of saving another 50,000 or so people.

But I guess my important point is we are not trying to substitute cash for Public Law 480, we are just trying to develop another mechanism that will help us in special circumstances keep people alive.

Mr. JENKINS. Have we explored and exhausted all the possibilities to expedite the delivery of food from our country?

Mr. GARVELINK. I think we have. In addition to that, we have set up a warehouse in Dubai in the United Arab Emirates where we stockpile food for a short period of time, and so we have to keep it moving through. That is where the food was heading when the tsunami happened, and so we could respond very quickly to that. But only a few of the commodities can be warehoused there, and it is only for certainly countries in the region of United Arab Emirates where it is most useful. But, again, we are focused on a relatively small number of circumstances where cash will get food.

A couple of examples right now: In southern Sudan, there is a surplus in the western part of the country, and there is a great

food need in the eastern part of the country. Given the economy and what is going on there, it is very difficult for people to buy those commodities or transport them a few hundred miles to the other part of the country. There, cash resources will help save the lives of people in eastern—cash resources to purchase food in western Sudan will help save lives in eastern Sudan.

There has also, over the past—not this year but in previous years—have been a small surplus in western Ethiopia, and food could be purchased there and moved across the border into eastern Sudan and save lives very quickly if there is a pipeline break.

Those are the kind of options we would like to have access to and be able to use, should the situation warrant it.

Mr. JENKINS. Thank you, sir.

Mr. McIntyre.

Mr. MCINTYRE. If either of the gentlemen could perhaps enlighten us on an answer on what impact the President's pledge to release another \$250 million to the Bill Emerson Humanitarian Trust will have on the level of stocks and/or cash in the trust and what plans, if any, the administration may have for replenishing the trust.

Mr. MILLER. I will be happy to respond to that question on behalf of USDA.

The Bill Emerson Trust currently holds 1.4 million tons of wheat and \$107 million in cash. And upon the Secretary releasing the 500,000 tons of wheat, which we envision being released to satisfy the \$250 million cash pledge that was made last week by the President and Mr. Blair, the stock of the CCC or the Bill Emerson Trust will hold about 900,000 tons of wheat and \$107 million in cash.

In terms of repimbursement, there is a provision in the current law, that requires us to reimburse and the appropriations law from last year put a cap on that reimbursement at \$20 million from title I and title II into the CCC for reimbursement of the Bill Emerson Trust. I understand that same provision is in the appropriations bill for fiscal year 2006. It is working its way through Congress right now.

Mr. MCINTYRE. Thank you, Mr. Chairman.

Mr. JENKINS. We have now been joined by the chairman of the full Agriculture Committee, the gentleman from Virginia, Mr. Goodlatte, and also the ranking member of the full committee, Mr. Peterson, from Minnesota; and we are happy to have the presence of both.

Mr. Chairman, do you have an opening statement, or do you have questions of this panel of witnesses?

The CHAIRMAN. Mr. Chairman, thank you for holding this hearing. I do have an opening statement, and I will submit that for the record.

I do want to say that I appreciate your holding this hearing. This is an important issue that I am very interested in myself and have had a number of expressions from people in the aid community, if you will, who have come forward to suggest that we needed to review these programs. So I thank you for your timely effort to do so, and we look forward to working with you on it.

Thank you.

Mr. JENKINS. Thank you, Mr. Chairman.

Mr. Peterson.

Mr. PETERSON. Well, thank you, Mr. Chairman; and I, too, commend you for holding this hearing.

I have an opening statement that I will just make part of the record.

I have got a couple of questions, if that is OK.

Mr. Miller, since the EU shifted its policy for food aid to provide more flexibility in 1996, what has been the effect on the EU funding on those programs since then and what percentage of EU food aid is still sourced with EU commodities? Do you have that information?

Mr. MILLER. Thank you, Mr. Peterson.

The EU contribution to the global food aid needs has declined since they made the shift from—about 1996, they shifted from a commodity in-kind program to a cash program. But their total commitment to food aid programming has gone down.

Historically, until about 1996, I am told they were providing anywhere from 2 to 5 million tons of food aid commodities a year. Since that time, I understand recent contributions have fallen down to closer to a million tons a year. It is a little bit hard to define because there are a couple of other categories where they do make some contributions that are in the cash area. But, all in all, as near as we can tell, their total contribution on a tonnage basis has gone down since they made their shift.

In terms of the percentages still acquired from the European Union, according to an OECD study and a World Food Program study that was done recently, it looks like over 60 percent of their contributions are tied to purchases out of the European continent somewhere.

Mr. PETERSON. Thank you.

Mr. Garvelink, your agency has depended on private and military organizations for many years. Did you consult with these PVOs before proposing this shift of the \$300 million from Public Law 480 title II to the International Disaster and Famine Assistance account? And if you did, how did they react?

Mr. GARVELINK. I don't think we consulted with all of them that we worked with, but we consulted the organizations that are engaged in food delivery and that sort of thing.

The general reaction, as I recall, is that the idea was not necessarily a bad one, but they preferred that the money was additive and that the Public Law 480 title I budget will remain as it is and additional money would be provided in cash to support these kinds of activities. That is where we have had our discussion, as I recall, with the NGO community.

Mr. PETERSON. Each of you, how involved was your agency in formulating the U.S. negotiating position on food aid?

Mr. MILLER. I will go first.

Our agencies are both very much involved in discussions with the U.S. Trade Representative's Office in developing the positions.

What typically happens is, in a case like the one we just faced here on June 3 when the chairman of the WTO Agriculture Committee, Groser, released a paper on food aid, our agencies all got together and discussed, line by line, in great detail all the concepts and the items that were presented in Chairman Groser's paper,

with the idea that we would provide instructions to our negotiators this week when they were in Geneva having discussions on the topic.

As I understand it, this week's discussions were very tentative. I understand they only met for about 20 minutes on the food aid provisions. They expect to have more detailed discussions next week. But our agencies were very much involved in that.

As a matter of fact, some of our senior career people and political people were involved in briefings earlier this year for the permanent representatives at the WTO in Geneva, also the permanent representatives at the FAO in Rome, to provide them with background on how our food aid programs work, the strengths of our programs, and why it is so important that we not move to adoption some of the provisions that have been proposed by the Europeans in the trade round. So I think I can safely tell you that we have been very much involved in these talks.

Mr. GARVELINK. I don't have a whole lot to add to that. Our Office of Food for Peace have been very engaged in with the USDA and the U.S. Trade Representative here and in Geneva and in Rome for briefings with all the members of the WTO; and they developed their policy papers together. So it has been a very close, coordinated working relationship and briefing structure that has been set up to take place around the world.

Mr. PETERSON. Thank you. Thank you, Mr. Chairman.

Mr. JENKINS. The gentleman from Texas, Mr. Neugebauer.

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

Mr. Miller, if we move to cash purchase of those commodities in the region, kind of walk me through the steps of who gets the money and who makes the purchases.

Mr. MILLER. Well, as I understand it, the proposal that the President's budget puts forward would really provide funds to AID and that the Office of Food for Peace would then program the funds through title II channels, as I understand it.

I should let Mr. Garvelink go into all the details of it, but I know for a fact they would, first of all, look and consult with us to find out what our prospects might be for getting commodity there in a timely manner. That is typically AID's response to these things, to find out how fast we could get commodity there. And if they found that there was a real emergency that was not going to be met, there was going to be a break in the pipeline and a need to go to some alternative source in order to keep people from dying, I think that that is their intent, to try to have some alternative source of funds to buy these commodities really as a last resort, rather than as something they would look to as a first-response measure.

Mr. NEUGEBAUER. Mr. Garvelink, do you want to expand on that?

Mr. GARVELINK. Yes, that is the process we would go through. If it was determined that there are no other options and unless we rushed some commodities to a given site we would have to do that, then we would probably contact the World Food Program or the U.S.—or NGOs that are working in that particular area, and the resources would be provided to either the NGOs or the World Food Program to purchase local commodities either within the country

that is at risk or in a neighboring country to enable us to get the right commodities there very quickly.

Mr. NEUGEBAUER. But the emphasis is still to use our commodities on some of these ongoing initiatives that we have; and what we are really talking about, the cash assistance, using that more in where we have got a compressed timeline, you said, am I—

Mr. GARVELINK. Correct. What we have said is where speed and cash could make a difference to save lives, that is where we would propose using the cash resources to buy food locally. This is not an exchange for the Public Law 480 title II Program. That is the core of what we do and the centerpiece of what we do. It is just there are, every now and then, special circumstances where we just don't have enough time.

Mr. NEUGEBAUER. Mr. Garvelink, I want to thank you for your efforts in the International Food Relief Partnership Program. As you know, in my district is the Breedlove dehydration plant, who has worked in that program; and I want to thank you for the work you are doing there.

I guess one of the things that comes to mind is there is a growing capacity at some of these dehydration plants, and how are you working with some of the commodities that have a shorter shelf life and some of the food banks to integrate that into the relief programs?

Mr. GARVELINK. Well, unfortunately, I can't give you too many of the specifics on that, but it is an interest of ours. As we set up stockpiles around the world, we are trying to integrate the right number of commodities, the correct mix of commodities to have them to be available to respond to emergencies around the world. That is an ongoing process that our experts are involved in, and—unfortunately—I apologize—I can get you more information on that, but I don't have that right now.

Mr. NEUGEBAUER. I yield back the balance of my time.

Mr. JENKINS. The gentleman from Louisiana, Mr. Melancon.

Mr. MELANCON. Thank you, Mr. Chairman. I appreciate it.

I guess one of the questions as a new Member I am trying to get a handle on, what is the basic foodstuffs that are involved in food aid and what are the commodities that are provided through programs in the country? Or it is actually foodstuff that is bought either in the country or out of the country?

Mr. GARVELINK. Yes, there are several basic commodities that we use in responding to emergencies over the world, depending on what is normally used in the country. Some of the grains—there is wheat; we have corn, rice, sorghum, those sorts of commodities. Then we have blended foods, which is corn soy blend, which is a fortified mixture which is provided to malnourished children. So we have a series of different commodities of a blended nature that respond to very specific needs in emergencies.

When a crisis happens overseas, we do our own assessments. We rely on the assessments as well of the World Food Program and NGOs to determine how many people need food, what kind of food they need; and then we are in consultation with our colleagues at USDA about the availability of those foods and the grades of the food and that sort of thing.

Then we come to an agreement on what kind of food should be ordered and shipped. Then they are transported out to the emergency site, and at the port of entry they are either turned over to the World Food Program or to an NGO, which then takes the food inland to the actual site where the beneficiaries are and then distributes that food to the people in a variety of different ways. It can be a large distribution to families. It can be feeding centers where people come to eat. It can be special feeding programs to children, malnourished children where they get this special blended food, because it is a process where they have to be fed several times a day by medical staff. So there is a variety of different kinds of programs that we can use, but we do it either through NGOs or through the World Food Program.

Mr. MELANCON. The blended foods—and I am a Cajun, and I have cooked a lot of things, but I never cooked wheat. So I guess my curiosity is, are we talking about canned products, packaged products, final products, or are we talking raw grains and cereals and stuff?

Mr. GARVELINK. We are usually talking about bulk commodities, yes.

Mr. MELANCON. Thank you.

Mr. JENKINS. The gentleman from Kentucky.

Mr. CHANDLER. No questions.

The CHAIRMAN. Mr. Chairman, if I might have leave, I have a couple of question.

Gentlemen, before you go, I want to reiterate what someone already said and I said in my opening statement. That is, with regard to the administration's proposal that we transfer \$300 million from the Food for Peace Program to purchase foreign food instead of United States food to feed people around the world, I strongly oppose that proposal and have so indicated to officials at USAID and stated publicly earlier this year. I wonder if, Mr. Garvelink, you might tell us the current status of the administration's view on that.

Mr. GARVELINK. Sure. I think we still favor the \$300 million amount being shifted from food aid to cash. That was our best estimate at the time that the proposal was put together and the budget was put together.

I think that the most important element to us is to have an amount of that money that we can try this flexible approach of blending cash in the Public Law 480 title II commodities to see if we can expand and improve our efficiency in responding to humanitarian crises around the world.

The CHAIRMAN. Now you have ad hoc authority to do that in emergency circumstances now, do you not?

Mr. GARVELINK. We have authority to do it, and we can use and have used in the past for small amounts our OFDA—our Office of Foreign Disaster Assistance account, but that is the only source we have for all the other kind of humanitarian assistance we provide, which is shelter, water and sanitation, health, medicines and that sort of thing. So if we use that to buy food, we diminish our ability to provide any other kinds of assistance to respond to people in crisis.

There is a notwithstanding provision in Public Law 480, but that is to enable us to provide food to a given country which may have some restrictions on it. It does not enable us to switch from food to cash within that account.

The CHAIRMAN. Is the administration aware of the risk that it takes in proposing something like this and undercutting the base of support for these food aid programs?

For example, on the committee and in rural America, this has always been viewed as a win-win situation. We help—and we are more generous than any other country in the world. We provide roughly half of the food aid in the world, and that generosity comes from the fact that we are able to purchase American-produced food to justify to the taxpayers and justify to farmers and ranchers, justify to the constituency of this committee, the expenditure of those funds in order to make that food available.

We erode that by seeing that food is purchased from the Europeans or others who, (A), complain about our own food aid program, even though they are nowhere near as generous as we are; and, (B), then attempt to profit from it. It is, I think, going to seriously undercut the ability to provide the amount of aid that we have today if the administration persists in that.

Mr. GARVELINK. We certainly appreciate everything you have said. We are very proud of the fact that the United States is the largest and most generous donor and that our farmers provide food to millions upon millions of people around the world. Our mandate is to try and save lives overseas, and what we are trying to do is figure out a way to be a little bit more flexible to be able to respond to those situations where shipping food from here is not going to save the lives that we have to save.

I think we are talking about a relatively small percentage of the food assistance. Also, it seems to be that part of our generosity is also our flexibility to try and meet the needs of people around the world however we can do that. Our suggestion would not be to use the cash to purchase food from any developed country, any food producer. These would be the local economies, the countries on the LDC list is what we have used. These are poor countries and small economies which, by purchasing the food there, helps stimulate their own production. But we would not suggest that we would purchase from a European country, Australia or any of those. If that was our option, then we will purchase our own.

The CHAIRMAN. If you had the ability to meet the emergency and it were the European or Australian or China or some other—Brazil, some other food-exporting country that had the food available that was closer, are you saying that you are only going to purchase this if it is coming out of a local economy? You are not going to use it in emergency circumstances where there is food that can be brought in from a closer area?

Mr. GARVELINK. Well, in a way, yes. We would assume if it is the Europeans or a major country, that would be their donation.

The CHAIRMAN. We would agree with that, and I think that ought to be our approach here.

The second issue I want to raise is, we come under increasing pressure from the Europeans and others in the agricultural negotiations going on in the Doha Round to limit or restrict the form

of food assistance that we provide to developed countries or poor countries. In the past, some countries have proposed that food aid be limited to cash or provided only to the United Nations or international agencies for distribution. Again, I strongly oppose any and all such proposals, and I hope the administration joins with me in resisting those entreaties that we receive or pressure that we receive in the trade negotiations that are taking place to change our form of aid to one where we provide cash and then it gets used to purchase the food from places that are closer to the place where the need exists, oftentimes that being other major countries that compete with us in the international food export market.

Mr. Miller, do you know what the administration's position is on that?

Mr. MILLER. Well, we certainly are opposed to any provisions in the WTO process that would require us to go to a cash-only contribution scheme; and, also, we are opposed to any system that restricts the ability of our PVOs to operate as they do now.

One of the things that we haven't talked about this morning is the wide-spread use of our commodity donation programs for monetizing commodities and allowing the PVOs to use those proceeds to do worthwhile projects in country, and we certainly want to do everything we can to see that process continue and be allowed to prosper. It serves the needs of many needy people around the world, and we certainly are going to do everything we can in the talks to support the kinds of things you are talking about.

The CHAIRMAN. Thank you. Thank you, Mr. Chairman.

Mr. JENKINS. Gentlemen, we sincerely appreciate your presence here and the benefit of the vast experience that you both bring to this hearing this morning.

Now we are ready for testimony from the second panel that we have here today.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. GARVELINK. Thank you.

Mr. JENKINS. On our second panel of witnesses today, we have Mr. Sean Callahan, who is vice president for overseas operations of Catholic Relief Services from Baltimore, Maryland; Mr. Jim Phippard, who is the chief operating officer of ACDI/VOCA in Washington, DC; and Mr. Robert Zachritz, the senior policy advisor for World Vision, Washington, DC. Gentlemen, thank you for being here.

Mr. Callahan, are you going to be first?

Mr. CALLAHAN. Yes, sir.

Mr. JENKINS. Proceed.

STATEMENT OF SEAN CALLAHAN, VICE PRESIDENT, OVERSEAS OPERATIONS OF CATHOLIC RELIEF SERVICES

Mr. CALLAHAN. Mr. Chairman, Ranking Member McIntyre, and honorable members of the subcommittee, as a representative for Catholic Relief Services, the official overseas relief and development agency of 65 million Catholics, an agency that works in 99 countries throughout the world, reaches over 62 million people in these countries and has thousands of local partners, we very much thank the subcommittee for hosting this hearing today.

It is a crucial time for all of us. We have recently received word from our country programs in southern Africa and Ethiopia about the crisis of food in those areas. That is weighing on us very hard.

I met yesterday with 24 of our country representatives who are currently at our headquarters regarding the needs in many of these countries, and they are very concerned about the debate both in the WTO and the support for food aid throughout the world. So we find the timing of this meeting very appropriate, and we thank the committee very much for hosting it here.

I would also first like to apologize, as I begin, that in talking to the chairman earlier I think as a community we probably have failed in many ways to let the American community know just how effective these programs have been throughout the world; and I think we all must take a pledge to increase that awareness throughout the Nation of the great efforts that the food aid program and the great goodwill that it has spread throughout many of these countries.

Not only has the food aid saved lives in many cases, but in some of our recent evaluations, in the people who have participated in our programs, we have doubled rice yields in India for the participants in our program. We have increased by 86 percent mothers who are now breast feeding in Africa. 1.1 million students are being fed currently with U.S. commodities, and we have increased graduation rates to 42 percent in these countries. We have also taken children out of child labor and brought them into educational institutions. This is building the civil societies of fragile democracies, and I think the food aid program has been a great asset in allowing us to be able to do that.

In addition, CRS partners locally—we don't do this alone. This isn't the United States coming in by itself and responding to the needs. We partner with local NGOs. We partner with local governments. We partner with our colleague agencies who are here today to make sure that the aid is used effectively.

We also are changing the lives of many, both in local governments—in Burkina Faso, many of the government officials had grown up on the food aid programs that we have had, and education. Religious leaders in South Asia have credited the change in their lives that allowed them to break a cycle of poverty. It has also allowed us and two of CRS's most distinguished partners to not only save lives but to protect individuals from persecution, promote religious freedom, and establish a foundation for civil society; and I am recognizing two of our most recognized partners in the food aid program, his holiness, the Dalai Lama, and the blessed Mother Teresa of Calcutta. So our food programs not only reach to great heights on this land but spiritually as well.

As a member of a PVO, in working in these areas we have seen some tremendous disasters throughout the world, but I will tell you, the one thing more heartening to me than anything else that occurred to me on four separate occasions—in Sierra Leone, in India, in Angola, and more recently on the India-Pakistan border—is having a mother hand me her child and say, "save my child", because she doesn't have enough food to feed the child.

We see on the border of Afghanistan and Pakistan children being given to madrassas and other institutions because parents can't

take care of their children. To me, as a representative of the United States overseas and of Catholic Relief Services, we have to reach out as a strong and wealthy Nation to assist these people in many ways.

I ask here today that—I will give a pledge, and then I have a plea for the committee. One is that, as a member of the PVO community, that we will use the U.S. commodity as appropriately as we have, that we are committed to ensure the integrities of these programs, that we coordinate well both with our U.S. Government colleagues and our nongovernmental colleagues, that we partner at the local level to ensure the effectiveness of these programs, that we respect the human dignity, empower the local populations; and to increase this awareness, we strengthen some of our farmer-to-farmer programs that we currently have. We have some right now from St. Cloud, Minnesota, farmers who are linking with farmers in Homabay, Kenya, right now and sharing some of the techniques to try to strengthen the response to some of the drought and other factors that they are facing in Kenya.

Our plea, though, is that we have continued support of this committee, that we have an appropriate allocation. Oftentimes our allocations have been supplemented at various occasions, and to me it is much more efficient and helpful if we can have a longer-term timeline, that we have a strong, robust \$2 billion budget—\$1.5 billion for development programs and \$500 million for emergency response—so that we can plan in the long term. This provides greater consistency and is a more effective use of our taxpayer funds because it allows the PVOs to have a stronger role, flexibility in working with local governments and conditions.

I would also say, let us not respond to emergencies in a reactive manner but let us respond to emergencies proactively through development aid and development relief. It is no doubt that, in response to the tsunami, we were on the ground within hours of the tsunami in India because we had a strong title II food program and over 2,500 partners there to respond.

In Bhurach and Gauhati, India, we also responded within hours because of the food program. American commodities were on the ground; OFDA was at the camps of our partners. We had an infrastructure and a network to respond to these great needs.

Is food aid needed? Undoubtedly? Are we at risk now? We feel in the PVO community we are. Again, I emphasize the need for the \$2 billion flexibility with the Emerson Trust and access to it. There is great concern in the PVO community about the machinations of the WTO. Our question is not can we afford food aid, but, frankly, can we afford not to have it?

Thank you, Mr. Chairman.

[The prepared statement of Mr. Callahan appears at the conclusion of the hearing.]

Mr. JENKINS. Thank you, sir. Mr. Phippard.

**STATEMENT OF JAMES R. PHIPPARD, CHIEF OPERATING
OFFICER, ACDI/VOCA**

Mr. PHIPPARD. Mr. Chairman, I want to thank you for the invitation to testify and particularly thank you and the subcommittee for your interest in food aid. The fact that the chairman and ranking

member of the full committee have attended today I think is strong demonstration of the interest in this area, and we certainly appreciate it.

ACDI/VOCA is a nonprofit economic development organization, PVO, with a variety of projects, including food aid in over 35 countries. It was formed more than 40 years ago by U.S. agribusiness cooperatives who still remain on our board of directors; and while we have expanded into other areas, our roots have long been in cooperative development and agriculture.

We have a strong, highly skilled volunteer corps, sending out nearly 400 volunteers a year, many of them in the farmer-to-farmer program that was mentioned by Mr. Callahan.

I would like to emphasize today the importance of developmental food aid as well as the importance of providing food aid funding that will be adequate for emergencies, avoiding the negative impact on developmental programs that are cut with little notice to meet emergencies.

If I could just take a minute to tell you about the kinds of programs that we do. They take a two-pronged approach. First, ACDI/VOCA uses the monetization process itself as a means of stimulating trade within a country, designing a process so that small traders have equal access to markets.

Now just parenthetically, when we went into Uganda there were two large traders handling all of the vegetable oil transaction, and we now have—in our monetization program, we now have over a hundred small traders, as well as the larger one.

By breaking up the commodities into small lots and working directly with local marketers in an auction or other sales process, we stimulate the local market, promote entrepreneurship and fair competition and provide a more efficient and wider distribution of needed foodstuffs.

ACDI/VOCA is the lead monetizer for six Public Law 480 title II program in African, and it is monetized on behalf of other NGO's and the WFP.

The second prong of our food aid approach is use of the proceeds of modernization to improve food security, promote agricultural development, improve natural resource management, establish rural micro and small business credit institutions essential to farmers and others, and to open up commercial markets for small producers as well as programs for people living with HIV/AIDS and their families.

Examples of the range of programs that we carry out in two of our countries are at the end of my written testimony about Uganda and Rwanda. In short, we and other PVOs involved in food aid undertake developmental programs that are designed to assist families to become self-sufficient and, in time, reduce the need for emergency food programs.

Under current commitments for emergencies, these important developmental nonemergency programs have been reduced to the lowest levels in recent history. Without additional funding in 2005, nonemergency programs will fall to 22 percent of the title II portfolio or about 600,000 metric tons. This is a 40 percent cut from the 2001 level, and it constitutes only about 32 percent of the total metric tons called for in the Public Law 480 authorizing legislation.

The 2006 food aid budget of \$1.185 billion, which assumes a \$300 million transfer, continues this downward trend. Just to reach the title II statutory minimum tonnage level of 2.5 million metric tons, 220 million more would be needed.

Mr. Chairman, there are serious problems when development programs are suddenly reduced to meet emergencies that have not been adequately funded. These developmental programs are planned well in advance and an uneven supply of commodities can cause severe program disruption. You cannot predict an individual emergency, but you can predict that there will be emergencies. And therefore, it is important that we look ahead and plan for those emergencies.

Based on projected needs, ACDI/VOCA stands with our colleagues in the coalition for food aid in seeking \$2 billion for Public Law 480 title II in 2006. Considering how title II was augmented in recent years by an average of \$600 million per year, even \$2 billion merely approximates recent expenditures.

Just a word about food aid and the Doha round, these negotiations could result in actions that compromise the availability of food aid, thereby limiting U.S. PVOs' ability to address problems of food insecurity, poverty and hunger. Some negotiators in the Doha round see food aid as a means of circumventing limitations on export subsidies. The reality is that PVO development programs are carefully planned and monitored to ensure that food aid is neither linked to market development objectives of donor countries, nor used in a manner that might interfere with commercial trade.

Mr. Chairman, the threat to developmental food aid programs by the actions of some of the exporting countries is very real. I can give you an example, our program in Cape Verde. Several years ago, the Europeans came and really made a big push to prevent our program from operating there and demanding that we use cash instead. Fortunately, we were able to overcome that, but that is a continual problem.

Thank you, again, Mr. Chairman and your colleagues. I appreciate the opportunity to appear before you.

[The prepared statement of Mr. Phippard appears at the conclusion of the hearing.]

Mr. JENKINS. Thank you, sir.

Mr. Zachritz.

**STATEMENT OF ROBERT G. ZACHRITZ, SENIOR POLICY
ADVISOR, WORLD VISION, WASHINGTON, DC**

Mr. ZACHRITZ. Thank you, Chairman Jenkins, Ranking Member McIntyre and Chairman Goodlatte, thank you very much for inviting World Vision to testify before your committee today and thank you for holding this hearing.

My name is Robert Zachritz. I serve as a senior policy advisor for World Vision.

World Vision is a Christian relief and development organization operating in nearly 100 countries with an overall budget of about \$1.5 billion.

In 2004, World Vision United States contribute \$800 million to this total, of which two-thirds came from private donations. World

Vision has more than 1 million private donors from every State and congressional district in the United States.

With more than 20 years of food aid experience, World Vision began its first large-scale food responses in Poland and Ethiopia in the 1980's. Using food as a resource, World Vision seeks both short- and long-term solutions to food insecurity through its emergency relief and development programs around the world. Through our advocacy efforts, World Vision works to transform the systems and conditions that promote hunger, malnutrition and poverty.

In fiscal year 2004, World Vision handled 820,000 metric tons of food aid valued at approximately \$352 million, serving 7.2 million beneficiaries and 33 countries. Nearly 25 percent of the food programmed was for developmental purposes. World Vision believes developmental programs are a critical part of our food aid portfolio. They address the underlying causes of food insecurity and help vulnerable populations be better prepared to cope with disasters and ongoing challenges of chronic disease, such as HIV/AIDS.

World Vision's major donors for food aid programs include the U.S. Agency For International Development, the World Food Programme and the U.S. Department of Agriculture. World Vision also partners with local faith-based and community-based organizations and other international private voluntary organizations like Catholic Relief Services, CARE, Save the Children, Mercy Corps, and ACDI/VOCA to implement food aid programs in a variety of different situations. World Vision was recently elected chair by the 16 members of the U.S. Food Aid Coalition whose executive director is Ellen Levinson.

In regard to the upcoming reauthorization of the U.S. food aid programs in the next farm bill, I want to thank this subcommittee and the full House Agriculture Committee for its generous support of food aid programs in the past and hope this support will continue in the future.

The 2002 farm bill had a focus on the importance of non-emergency as well as emergency programs. It increased the minimum level for assistance for Public Law 480 title II donation program for 2.5 million metric tons of commodities per year with a minimum for nonemergency programs of 1.875 million metric tons. Unfortunately, these requirements for nonemergency programs have not been met. The United States has become the major source of commodities for meeting emergency global needs around the world. However, this has called USAID to divert food aid from important developmental programs. This is unfortunate because it takes away from the efforts to end the cycle of poverty and hunger. Thus when Congress reauthorizes food aid programs as part of the next farm bill, we strongly encourage reinforced support for non-emergency title II programs. A critical part is adequate appropriations which we estimate to be \$2 billion for title II per year.

World Vision also urges continued support and reauthorization for the Food For Progress Program, the McGovern-Dole International Food For Education program, and the Bill Emerson Humanitarian Trust. It is critical that food aid programs be allowed to complement the global efforts to combat HIV/AIDS. Targeted food assistance is necessary to successfully address the global AIDS and is part of a comprehensive approach to the pandemic. In all

food aid programs, it is important to provide flexibility with both commodity and cash interventions.

As this committee is well aware of, the Doha trade talks are considering placing additional restrictions on international food aid. This is of great concern to World Vision. Food aid is not a bargaining chip to be used in the geopolitical game of reducing agricultural subsidies. Some individuals and nations are advocating eliminating the direct role of private voluntary organizations, eliminating monetization, moving to a cash-only system and moving to emergency food aid only. All four of these proposals are problematic.

The Coalition for Food Aid has been actively engaged in discussions with developing countries of the Doha negotiations. We find that their Geneva missions are terribly understaffed which has made it difficult for them to intervene effectively to protect food aid programs that they support. However, we understand that, in recent Doha food aid meetings, these developing countries have become more engaged which we hope will balance the call for restrictions on food aid promoted by certain exporting countries.

Finally, I would like to request that the committee include for the official record with my testimony the Coalition For Food Aid's letter of June 13, 2005 to the U.S. Trade Representative.

Thank you, Mr. Chairman, for allowing World Vision to testify. I will be happy to entertain any questions you may have for me.

[The prepared statement of Mr. Zachritz appears at the conclusion of the hearing.]

Mr. JENKINS. Thank you very much.

Well, gentlemen, Mr. Phippard and Mr. Zachritz especially, have gone into the negotiations that are going on with respect to the World Trade Organization and asked that nothing be done that would in any way diminish the prospects of or the amount of food aid that goes out to the world, especially from our country. And you just mentioned that you have communicated with the trade representative and would like a copy of that letter to be made a part of this record, and it certainly will be without objection.

My question to both of you and Mr. Callahan, too, is, are all of you who share these views or all of us who share these views, are we, are you, doing enough now to ensure that this point of view will prevail in those negotiations that are going on? And what else can be done? Do you have any suggestions as to what else can be done to bring that to the attention of the proper authorities so that your viewpoint does prevail?

Mr. ZACHRITZ. One thing we are trying to do in a sense of communicating as well to those of us in the United States with Congress and the U.S. Trade Representative, because we operate in a lot of these countries, we are trying to have those countries who receive U.S. food assistance and are very supportive of it to make their views known in the Doha trade talks. I would say that is critical; as you know, here in the United States the U.S. Trade Representative leads the negotiations, but it is USAID and the Department of Agriculture that really administer those programs. So there is a need for coordination within ministries in the developing countries or the net food importing countries to make that aware to those who are actually in the room.

Mr. JENKINS. Thank you. Anybody else?

Mr. PHIPPARD. Yes. If I may make a comment, Mr. Chairman, just to underline what Mr. Zachritz said. The participation by the developing countries who are recipients of food aid are really an important element of this. And as we speak, the Chair, the executive director of our Coalition for Food Aid, Ellen Levinson is in Geneva working on that issue, and we are certainly all supportive of her efforts in that area.

Mr. CALLAHAN. The PVOs have been pushing the U.S. Trade Representative. We would ask if Congress and this committee could continue to keep the pressure on him as well that would be helpful from our side.

Mr. JENKINS. Thank you.

Mr. McIntyre.

Mr. MCINTYRE. Thank you. With regard to World Vision, let me ask you, is Mr. Ted Engstrom still associated with the organization?

Mr. ZACHRITZ. I believe he is. I think he has been on the board and still an associate, yes.

Mr. MCINTYRE. OK. I read a book he wrote on leadership back when I was in college in the 1970's which was quite a powerful and strong, well-written book. So if you will pass to him my appreciation. I have referred to that many times in challenging young people with regard to leadership.

Since I am more familiar with World Vision, I would like to thank you for the leadership I know you have had worldwide as I followed you over the last three decades personally in terms of your ministry and work.

I commend all of you, the enthusiasm, Mr. Callahan, that you have shown; Mr. Phippard, the things that you have mentioned. All of you certainly have quite a wonderful ministry and mission to help the hungry.

Let me ask you all to respond to this question: Food aid is often justified on the basis that it targets the poorest, the most vulnerable, the neediest. Yet there was a recent USDA analysis that suggests that while two-thirds of U.S. food aid went toward reducing or eliminating countries' food gaps, the remaining 34 percent went to countries that either did not need the food aid or received more food aid than they needed. That obviously would cause a concern. And as a member of the Committee on Agriculture and ranking member of this subcommittee, we want to make sure the food is going where it is needed the most. What is your impression and what steps are you taking in your particular agency to make sure that food aid is targeted to the neediest people in the recipient countries?

Mr. CALLAHAN. I think there is no question if you look at our programs, and they are audited regularly, that our programs actually do reach the neediest people. Sometimes these numbers can be a little bit mystifying. And I would give you an example hypothetically of Sudan. If the government of Sudan had adequate food but were starving people out in Darfur and we were asking for additional resources for the people of Darfur, it could be seen that there was additional food that was not needed in Sudan though it was terribly needed for the people starving in Darfur. So in many of the countries in which we work, the allocation of food is the dif-

ficulty in some cases, and the government is actually persecuting certain communities in those countries. And so in some countries, 34 percent I would wage, many of them have probably very needy populations that are not being served through the local network or by the government.

Mr. PHIPPARD. The countries that we work in, I cannot imagine are on the USDA list of oversupply. Before we begin a program, we take a look at total production. We take a look at imports, exports. There is a Bellman analysis done. And so if you look at countries like Uganda or Rwanda—Rwanda is a good example. Their whole infrastructure was practically destroyed during the genocide. And we have gone in and helped them using monetization proceeds to rebuild some of the agricultural infrastructure. We have helped them with coffee in particular. Rather than getting the very low world price for coffee, they are getting much higher prices because of specialty coffee that we have worked with them and helped them to develop.

So I think that you have to look at this country by country, and you also have to look at, is the aid helping people to get out of their situation of need and becoming or at least getting on the road to self-sufficiency? And that is what we aim for.

Mr. ZACHRITZ. The only thing I might add is, I think targeting is critical in the food aid programs. Let me give you an example of C-SAFE program which World Vision did with Catholic Relief Services recently in Zambia regarding the famine in southern Africa. There is a program in a very rural village, and it was targeted specifically, and we involved the community to get their input. And the program was only targeted to pregnant women and those who are chronically ill. In a sense, the villagers would determine who is on the list. In one case, a villager says, no, no, no, this household should not get food. She is the chief's wife. They are fine.

And so, many times, the community knows. That is a challenge. We were constantly thinking about that: How do we target our programs to meet those who are most in need and create a program that does not create dependency?

Mr. MCINTYRE. Thank you.

Thank you, Mr. Chairman.

Mr. JENKINS. Thank you, gentlemen.

Thank you for being here today. I hope in some small way this hearing will tend to make known to the world the good work that you do. I know we are all guilty of failing to recognize and appreciate the work that all of you and others do on a daily basis, and we need to redeem ourselves in some way. And hopefully, this hearing will in some small way help to do that. Thank you very much.

Now I would like to welcome our third panel consisting of Mr. Jim Madich, who is vice president of Horizon Milling company from the State of Minnesota, on behalf of the North American Millers Association; Mr. Bart Ruth, past president of the American Soybean Association from the State of Nebraska; Ms. Barbara Spangler, the executive director of the Wheat Export Trade Education Committee here in Washington, DC; Mr. John Lestingi, vice president, the Rice Company, Morganville, New Jersey, on behalf

of the U.S. Rice Producers Association and the USA Rice Federation.

I am thankful that you have all come to testify to a Tennessee audience here this morning.

And if you are ready, Mr. Madich, we will start with you.

STATEMENT OF JIM MADICH, VICE PRESIDENT, HORIZON MILLING, WAYZATA, MN, ON BEHALF OF THE NORTH AMERICAN MILLERS ASSOCIATION

Mr. MADICH. Thank you, Mr. Chairman. I am Jim Madich, vice president of Horizon Milling, a Cargill Foods affiliate. I also serve as chairman of the International Trade Committee of the North American Millers Association who I am here representing today.

NAMA's background is contained in my submitted statement. I would like to just make four key points today.

First, NAMA is one of the most supportive organizations of both the objectives and effectiveness of export food aid programs at a time when some of our trade competitors are vocally criticizing those programs. In the WTO, our detractors are working to decrease the amount of resources that the United States puts into development food aid. The tragic result of this misguided approach will be even greater food insecurity in the world and more frequent as well as devastating occurrences of food emergencies.

I believe the positive impact of these programs cannot be understated. The relatively small budget assists about a 100 million people in both emergency and development programs. Since the current estimate of malnourished people in the world has grown to 850 million, the problem is not that we are doing too much as asserted by our commercial competitors, but instead, we are doing far too little.

Second, we need to recognize that these development programs are an essential part of our national security structure. Our great agricultural bounty can be used as a powerful source for the food-insecure people in the world. Development programs carried out using U.S. food aid reduce dependency and promote self-reliance. Additionally, they generate a tremendous amount of appreciation and gratitude towards the United States.

We are essentially reducing the pool of hopeless and disenfranchised people from whom our adversaries draw. Congress clearly cares about putting forth this positive image of the United States, and that is why they have required that 75 percent of the title II budget is to be spent on nonemergency food programs. Unfortunately, in recent years, title II has been used overwhelmingly for emergencies, a concept that appeals to both budget watchers and others. Everyone agrees that the United States should be in a position to lead interventions and situations such as the current crisis in Darfur.

However, food aid reaches its peak effect as a means to create development that will prevent such emergencies. We worry that our ability to thwart future emergencies and fight chronic hunger is diminished without deeply rooted, long-term assistance programs in place.

Third, we can do more and we can do a better job of delivering relief to hungry people around the world. Food aid budgets need to

be predictable and big enough to make a real dent in the number of malnourished people around the world to improve education levels and to help HIV/AIDS remediation.

The current appropriations process has yielded inadequate funding up front for global appeals, resulting in the need for additional supplemental appropriations and the use of emergency commodities from the Bill Emerson Humanitarian Trust. This piecemeal funding does not allow for long-term planning and forces programs to be canceled and recipients dropped. We want to work with Congress and other stakeholders leading up to the 2007 farm bill so the future funding can be more predictable, stable and much larger. With that stability, USDA and USAID could then incorporate streamline purchasing procedures that mirror both commercial as well as U.S. military procurement practices to reduce costs.

The last statement I would like to make is that the producer and grower communities support increasing efficiencies in U.S. food aid programs, and USAID has begun to innovate. USAID began a pilot project in September of 2004 to warehouse highly nutritious processed U.S. commodities within easy access to areas of the globe that are at greatest risk for future emergencies. This program has been an overwhelming success. The prepositioning program enabled the United States to direct food aid to tsunami victims within hours of the tragedy occurring as you have heard previously. This program can be expanded to warehouse more commodities in locations where they can be called upon in emergencies without delay. This is particularly important since U.S. processed and fortified products are significantly more nutritious than food available in most regions or bulk commodities that must be further processed and fortified to truly be useful.

It also negates any need to use U.S. taxpayer dollars to buy food from other countries to meet emergencies. The detractors of U.S. food aid programs have attempted to put the United States on the defensive, calling our humanitarian food aid an export subsidy and suggesting that we should provide cash instead of food. As one of the supportive constituents of food aid, we think the win-win nature of U.S. food aid is the reason why the United States is providing nearly 50 percent of the global food aid needs.

Food aid enjoys widespread support in the United States in part because the United States public has concerns that cash donations can be misused and lack the same level of transparencies as food donations. The U.S. Congress must vocally defend the legitimacy of our food aid programs. The world desperately needs U.S. food aid, and it is our right to provide aid in the form of food instead of cash. Our colleagues in the WTO should not restrict our humanitarian development efforts but should be challenged to match them.

Once again, thank you, Mr. Chairman. I appreciate the opportunity to appear in front of you today.

[The prepared statement of Mr. Madich appears at the conclusion of the hearing.]

Mr. JENKINS. Thank you, sir.

Mr. Ruth.

**STATEMENT OF BART RUTH, PAST PRESIDENT, AMERICAN
SOYBEAN ASSOCIATION, RISING CITY, NE**

Mr. RUTH. Good morning, Mr. Chairman and members of the committee. I am Bart Ruth, a soybean and corn farmer from Rising City, Nebraska. I am a past president of the American Soybean Association which represent 25,000 producer members on national issues of importance to all U.S. soybean farmers.

We commend you, Mr. Chairman, for holding this hearing to review the issues surrounding food assistance today. These issues have changed in the past few years as have our strategies for addressing them.

American soybean growers have been actively participating in U.S. food aid programs for several decades. We participate in both USAID and USDA emergency and nonemergency programs. Typical soybean products used in food aid are corn-soy blend, vegetable oil, soybeans and meal, and soy and flour blends. In fiscal year 2004, soybean products used in all food aid programs had a total value of \$341 million.

We believe that, in the last few years, a shift in mentality regarding food aid has occurred. U.S. food programs shifted from large-scale surplus disposal programs to nutrition-oriented, customer-oriented, culturally appropriate food donations. We applaud this movement and have been on the forefront of developing highly nutritious, protein-rich products. We feel strongly that sustainable solutions to world hunger are extremely important, and we recognize that local access to products is an important part of sustainability.

In the last 3 years, in addition to the above mentioned products, we have also provided soy protein products which can be easily blended with local foods, require no additional processing, are quick cooking and contain between 50 and 90 percent soy protein. We believe that in countries where access to traditional sources of protein is often not possible, soy serves as an ideal vegetable protein to supplement otherwise protein-poor diets. There is also no question that protein plays a key role alongside calories in prolonging life of those suffering from chronic infectious diseases.

So how does our vision of supplying healthy protein to the recipient countries match existing food aid programs? In the last 3 years, it has become increasingly difficult to provide food through non-emergency programs. The funding for USAID title II programs has been reduced by roughly one-third from fiscal year 2003 to 2005. The reductions in nonemergency funding have detrimental effects on projects we have with the private voluntary organizations. We have to interrupt trials and are unable to start approved programs aimed at improving nutrition because money has been shifted elsewhere.

USDA's programs have also suffered from budget cuts. The McGovern-Dole Food for Education Program experienced drastic cuts starting in fiscal year 2004. The Food For Progress Program is very flexible and easy to use but is limited in tonnage due to caps on the transportation costs.

Funding fluctuations make it very difficult to conduct meaningful multi-year programs, especially when conducting trials of a food's

impact on vulnerable populations and those infected with HIV/AIDS.

Nonemergency programs are critical to our vision of aid in the developing world. While emergencies need to be addressed, the development programs focus on improving the overall health and nutritional status of the entire population. That means prolonged life and prolonged ability to work.

In countries devastated by AIDS, many will not receive any formal medical treatment, and food may be the only means of keeping up the productive cycle of an individual. If we abandon non-emergency food assistance now, we may never be able to alleviate the HIV/AIDS crisis in many countries. Even though the President's initiative for HIV/AIDS is well intentioned and has the potential to alleviate suffering, many care givers on the frontline of the struggle report a huge need for proper nutrition that can sustain a viable immune system.

Furthermore, there are external threats to the U.S. food aid programs. Several countries who have moved to cash assistance programs themselves insist that the United States do the same. We are strongly opposed to cash-only grants partly because we will be exposing large amounts of cash to potentially corrupt government officials in the recipient countries. Another reason for our opposition to cash grants is that, in the tight budget situation, the U.S. Government, even with the best intentions, may not be able to provide enough cash to meet the needs.

In the face of domestic and international challenges to food aid, how can we improve the current programs? We need to continue to focus on nutrition as opposed to surplus disposal. We need to improve the flexibility of nonemergency programs to allow for easier implementation of test trials which determine which foods work best and whether it affects growth, weight and nutritional status. We need to provide food to augment medical treatment of people suffering from chronic infectious diseases. And we need to continue public-private partnerships where U.S. commodity organizations can enter into relationships not only with PVOs but with the private sector in recipient countries to create nutritional feeding programs and/or small-scale commercial projects which simultaneously raise the nutritional profile of the population.

Let me tell you briefly how the American Soybean Association developed its approach towards food aid in the last few years. Six years ago, U.S. soybean farmers strategically decided to find new and improved ways to serve and assist the least developed countries. As we have reviewed the world's population and looked at growth over the next 40 years, it became apparent that we needed new strategies. With 850 million chronically undernourished today and with almost 90 percent of the population growth over the next 40 years coming from developing countries, we decided to put a portion of our efforts and investments in the World Initiative For Soy and Human Health or WISHH program.

Our goal is to balance long-term market development with current humanitarian needs. Emergency food aid will likely always be needed to alleviate immediate needs and suffering. Beyond that, new approaches in dependable programs based on sustainable solutions must be implemented. A quick view of the world would indi-

cate that both of these approaches are underfunded today and need massive participation by many partners worldwide. We applaud the committee for reviewing food aid needs today and its approaches. U.S. soybean farmers commit that we will continue to partner with the U.S. Government in innovative approaches to balance immediate food aid needs with sustainable development for our future customers. Thank you.

[The prepared statement of Mr. Ruth appears at the conclusion of the hearing.]

Mr. JENKINS. Thank you, sir.

Ms. Spangler.

STATEMENT OF BARBARA R. SPANGLER, EXECUTIVE DIRECTOR, WHEAT EXPORT TRADE EDUCATION COMMITTEE, WASHINGTON, DC

Ms. SPANGLER. Good morning and thank you for the opportunity to visit with you, Mr. Chairman, about the wheat industry's views on food aid.

I am Barbara Spangler, the executive director of the Wheat Export Trade Education Committee, but today, I also represent the U.S. Wheat Associates and the National Association of Wheat Growers on the issues that are important to our members across the country.

Food aid and U.S. Wheat have been intertwined for decades. Our producers are proud of America's generosity and the part they play in feeding people around the world. There is a long history of wheat being involved in food aid. During World War II, the United States was a net importer of wheat and feed grains. The American farmer began expanding production after 1944, and the wheat supply situation was transformed from acute shortages to abundance of supply by the early fifties. In 1960, President Eisenhower and Food Minister Patil of India signed agreement for transfer to India over a 4-year period of 387 million bushels of wheat and 22 million bags of rice. This transaction not only provided badly needed food for the people of India but included the establishment of reserves and worked to strengthen the country by providing capital for economic and industrial development.

Taiwan, another loyal customer, where we have 96 percent market share, was at one point a food aid country. A couple of years ago, an official from one of their largest mills gave us his insight. He said, I remember years ago when Taiwan was still very poor, being very grateful when our family received flour donations from the United States. The donations not only fed hungry people but helped forge strong friendships and lasting partnerships.

We in the wheat industry believe food aid is an investment. We are investing in the recipient country's future, both in the humanitarian and in the business sense, and we are investing in the greater regional and global security that accompanies growing prosperity and stronger private industries that are helped by donations of U.S. commodities.

It does worry us a lot to see attempts to slash the levels of funding for food aid and in fact contemplating cutting U.S. commodities out of the picture. We believe the United States should provide a

steady level of food aid and that the international humanitarian community can rely on every year.

At minimum, food donation should total at least 6 million metric tons annually. We estimate that the United States needs to provide a minimum of 3 million metric tons of wheat donations to those countries who routinely rely on wheat as their main staple. We are greatly concerned about the proposed shift from USDA to USAID in funding and in administering the majority of food aid programs. USDA has the technical expertise, the administrative experience and the willingness to partner with commodity organizations. This is especially important in ensuring the commodity specifications result in the recipient countries receiving the appropriate wheat qualities for use in their wheat food products. Unfortunately, we do not find the same expertise or focus within USAID, and we urge Congress to reexamine the allocation of these responsibilities.

The wheat industry acknowledges the concerns expressed by our global partners that food not interfere with commercial markets. We, too, would rather sell to economies that are strong and prosperous. We support efforts to more clearly differentiate humanitarian aid from market development programs and make the programs more transparent to our domestic audiences and to our trading partners in the countries that need assistance.

We are clearly aware of the efforts of our global partners to dismantle our food aid programs in the Doha negotiations, as you have heard from almost every speaker. We greatly appreciate the continued efforts of our WTO negotiators both from USTR and USDA to fend off these attempts. And we do believe they are working hard at this.

The current draft language on food aid proposes ending commodity donations for cash-only and makes no provision for country-to-country donations. It must remain a country's right to maintain humanitarian programs that meet recipient countries' needs, to be able to respond directly to these needs. We strongly support the need for greater transparency and rules to prohibit disruption in these markets.

We are also very concerned that some in the administration are contemplating the provisions of shifting the \$300 million to USAID, as you have heard earlier today. The U.S. must be able to have programs that work and work efficiently, and we must protect these in our own programs in the WTO by keeping food in food aid. After five decades of supporting food aid, our farmers would be asked to stand aside and watch U.S. Government purchase wheat from our competitors. Do not expect our growers to be calling on you to support the cash-only programs.

You have heard about the Emerson Trust program, and we strongly support that program because it does provide needs in emergencies. But we also support the program being used now in dire shortage of funding. Note however that the United States wheat industry has long opposed selling wheat from the trust on the domestic market as a means of purchasing other commodities. These domestic sales distort our market here at home.

The trust should be replenished with wheat stocks, especially in view of the escalating food aid needs. This would send a signal that we are serious about feeding the hungry and about maintaining

this program in a way that allows the United States to respond to emergency food needs when and where they occur.

Farmers all around the world are trying to answer the cries of the hungry and are doing the best to produce the most food they can. Most farmers in the world do not expect to become rich from what they are doing. They are simply trying to provide their families, their communities and their markets with the best products.

America has been lucky. We have abundant harvests, and we want to continue to be able to provide humanitarian assistance from what we produce. No matter what the cause of the hunger, we must not impose rules in our programs nor allow the creation of international trade rules that prohibit humanitarian response. Thank you.

[The prepared statement of Ms. Spangler appears at the conclusion of the hearing.]

Mr. JENKINS. Thank you, Ms. Spangler.

Mr. Lestingi.

STATEMENT OF JOHN LESTINGI, VICE PRESIDENT, THE RICE COMPANY, MORGANVILLE, NJ, ON BEHALF OF THE U.S. RICE PRODUCERS ASSOCIATION AND USA RICE FEDERATION

Mr. LESTINGI. Thank you, Mr. Chairman. My name is John Lestingi. I am vice president of the Rice Company.

The Rice Company provides end delivery service for agricultural commodities on a worldwide basis. We participate in U.S. food aid programs by providing commodities, including rice that is processed at our handling facilities and rice mills in Arkansas and Louisiana. We also provide shipping services for food aid cargos.

I am pleased to testify today on behalf of the U.S. Rice Producers Association and the USA Rice Federation which together represent virtually all U.S. rice growers and millers, merchants, exporters and allied industries.

I have always taken pride in being an American, especially the way the American people open their hearts and wallets to others in need. There is nothing more exhilarating for a U.S. exporter than to hear from a brother in need that a U.S. cargo of rice or wheat or corn is arriving at their port under a U.S. Food for Aid Program.

I am pleased that the U.S. rice industry supports a sound food aid policy with meaningful funding levels. We believe U.S. food aid policies and programs serve the needs of foreign recipients, U.S. agriculture and the policy objectives of United States.

Rice is cultivated in more than 100 countries and on every continent except Antarctica. Rice is a primary staple for more than half of the world's population. As is detailed in my prepared statement, rice is an ideal food aid product. U.S. rice is used in an array of food aid programs, including Public Law 480, the Food for Progress Program, the McGovern-Dole program, the 416(b) program, and the Bill Emerson Humanitarian Trust.

In fiscal year 2004, the U.S. rice exports used for export aid amounted to more than 200,000 metric tons valued at \$69.5 million.

The rice industry is the largest user of the Public Law 480 title I program. The U.S. role as a compassionate world leader is en-

hanced by food aid. And U.S. food aid programs reflect the generosity of U.S. agriculture. U.S. food aid programs are also supportive of our domestic and foreign policy objectives. For these reasons, we have strongly supported maintaining funding for the Public Law 480 title I program and providing \$2 billion in funding the fiscal year 2006 for the Public Law 480 title II program.

We are very appreciative of the efforts of this subcommittee during the 2002 farm bill debate to improve the food aid programs and increase funding authorizations and minimum purchase levels.

The Food for Peace program in the 2000 farm bill made improvements in shipping, transportation and handling of U.S. commodities to developing countries and streamlined the program management. The legislation also increased the minimum amount of commodities to be purchased to a more reasonable level given the demands on the program.

The Bill Emerson Humanitarian Trust is authorized to hold up to 4 million metric tons of U.S. rice, wheat, corn and sorghum as a food reserve. Currently, the trust is holding 1.4 million metric tons of wheat and \$89 million in cash.

Mr. Chairman, we would encourage USDA to make full use of this food aid tool as unanticipated emergency needs arise by purchasing U.S. rice for emergency humanitarian food needs.

One concern we have is the proposal in the administration's fiscal year 2006 budget to shift \$300 million of Public Law 480 title II funding from the Department of Agriculture to the Agency for International Development. We believe this funding should remain for USDA. Under the administration's proposal, USAID could use the funds to purchase commodities from countries other than the United States to provide food as aid. We believe this would be the wrong precedent to set in food aid policy and would deprive the U.S. agricultural community of their sense of pride and compassion by rejecting their participation in our food aid programs.

We oppose allocating U.S. funds to agencies that will not use U.S. farm commodities for international food aid. We applaud the House of Representatives' approval for the fiscal year 2006 agriculture appropriations bill that will maintain this funding at USDA rather than USAID.

We encourage you and your colleagues to ensure this is maintained as the appropriations process moves forward.

Another matter of great concern is the negotiation of new rules in the world; trade organizations that would require food aid to be provided in the form of cash grants or exclusively through international organizations. We see no benefit towards strengthening the global food security from either proposal, and any mandated requirement that food aid be provided exclusively as cash would undercut the strength and support within agriculture for food aid. Again, this course of action would disenfranchise U.S. farmers from participating in our food aid programs.

I work for an exporting company, and it is true that I sell commodities for a living. The best image we can have in the international and the commercial side of our business is that we are the people who are giving. And I want to emphasize that one more time.

We have to emphasize that the U.S. exporter is the one who is giving.

Our current food aid program softens the attitudes of people on foreign shores towards the United States. Identifiable U.S. food aid lets them see us as we are and not as our opponents make us out to be.

Maintaining and enhancing our current food aid programs would allow us to help others and at the same time continue our image in the world as caring and giving. This will help keep America and American agriculture strong.

Thank you, sir, for the opportunity to testify today, and I would be very happy to answer any questions.

[The prepared statement of Mr. Lestingi appears at the conclusion of the hearing.]

Mr. JENKINS. Thank you very much.

Thanks to all of you for coming. The concerns that have been expressed by this panel are very similar across the panel. In many respects, they are very similar to the concerns that were expressed by the previous panel. And this chairman, this subcommittee chairman feels an obligation to express the views, the valid concerns that have been testified to here this morning, to the full committee of the House of Representatives and beyond where appropriate.

And certainly, I think it appropriate to be sent to elements of the administration who need to know with some of the proposals that have been made exactly what the feelings are by those of you who represent so many people out across this country.

Certainly for those of us who are in this committee, a big part of our constituency is represented here this morning. And that is true of the House of Representatives and the United States Senate as a whole. So I will certainly fulfill the responsibility of this subcommittee in communicating these views to all who are in need of knowing what has happened here this morning.

And before we adjourn, I would simply have one question. I believe everybody on this panel expressed the same concern that was expressed by the previous panel with respect to what is happening in the World Trade Organization with the negotiations there, and I would ask the same question of this panel that I asked of the last, is enough being done?

They certainly mentioned what their efforts and on your behalf and for the people that you represent is enough being done to make sure that the viewpoints you express here is being heard in those negotiations?

Does anybody have an opinion about that?

Mr. LESTINGI. Well, I certainly do not think that, as a U.S. exporter, that there is enough being done. Most of the time we are not getting credit for the good work that we do do. And I think it behooves us to make it known in one fashion or another that the food stuffs are of U.S. origin and that it is the U.S. exporters who are delivering. And I believe that it would really help our image in the world marketplace.

Mr. JENKINS. Thank you, sir.

Anybody else?

Mr. MADICH. Just a quick comment. Companies, associations, recipients, Congress clearly, hopefully, continue to do their role with

the information they receive and push it forward. But something that brings everything to life is, if people are able to get a better idea, a picture of those recipients that are in need, it is such a telling story in itself. And any way that can be carried forward to give people a much better idea of the benefit that these programs are having on the people around the world I think would be quite helpful. So we need to continue to do that as well, too, and the recipients need to bring that forward.

Mr. JENKINS. Thank you, sir.

Anbody else?

Mr. RUTH. Well, I think we all need to continue to get the message out that the programs that we are engaged in have a tremendous benefit around the world, and anything that would restrict the generosity of the American public is not something that we can trade away in the WTO. And I think that it is important that we continue not only to press that message forward in Geneva, but I think American citizens need to understand the value of these programs and the kind of image that paints for Americans around the globe by being involved in charitable programs such as food aid.

Mr. JENKINS. Mr. Ruth, that was well said.

Ms. Spangler.

Ms. SPANGLER. I think we should pay heed to what our negotiators tell us who I believe are working really hard on these issues for us, that as an American it is not my voice that needs to be heard, and we need to reach out to the recipient countries in any of our contacts and business and through Congress with the embassies in town or whatever, so that they tell the story that is important to them. It has been a hard battle to get them to step up because they do not have their resources in Geneva. But that is where we are fighting this battle, is in Geneva against the Europeans. And we have to find ways in each one of the areas where we have contact with user countries to ask them and help them step up.

Mr. JENKINS. Thank you very much.

Again, let me express appreciation to all the panelists who have come here today. You literally have brought a wealth of information to this subcommittee. I hope the entire committee can become aware of it and beyond, the full House of Representatives and the United States Senate can become aware of what has happened here this morning.

I promise to do my best to disseminate the information that has come to us.

If there is nothing else to come before the committee, the subcommittee will stand adjourned.

[Whereupon, at 11:51 a.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF W. KIRK MILLER

Mr. Chairman, members of the Subcommittee, I appreciate the opportunity to provide you with an overview of the food aid programs of the U.S. Department of Agriculture. I am pleased to be joined by William Garvelink of the U.S. Agency for International Development (USAID). Our agencies work closely together in carrying out food aid and agricultural development activities.

This administration remains committed to the international goal adopted at the 1996 World Food Summit to reduce by half the number of chronically hungry people

by the year 2015. At the 2002 World Food Summit, the United States outlined three critical priorities for achieving that goal: reducing hunger by increasing agricultural productivity; ending famine; and improving nutrition worldwide.

The United States has long been the world's leading food aid donor. In addition, in the last few years, the administration has been implementing a wide range of complementary initiatives designed to help improve world food security. These efforts include creation of the Millennium Challenge Corporation, the Initiative to End Hunger, the Global Fund to Fight HIV/AIDS, our agricultural science and technology initiative, the doubling of official development assistance, debt relief, and global trade liberalization.

We continue to stand ready to meet ongoing and emergency food needs and to help nations strengthen their own agricultural sectors. An excellent example of how effective we can be in meeting emergencies is the effort to move food to people in Asia who were devastated by last year's tsunami. USDA and USAID contributed to relief and reconstruction efforts as part of a \$350-million U.S. pledge. We rerouted food aid totaling about \$12 million to nations most in need. USDA provided 15,000 tons of rice to Indonesia and Sri Lanka, and USAID provided 21,000 tons of rice, corn soy blend, soybean oil, and peas. Another example is our use of the Bill Emerson Humanitarian Trust last winter to provide 200,000 tons of wheat to the people suffering in Darfur.

G8 HUNGER INITIATIVE

Just last week, the President and British Prime Minister Tony Blair announced jointly their intention to seek increased efforts to fight hunger and address humanitarian needs in Africa. As part of this effort, the United States announced an additional \$674 million for humanitarian emergencies in Africa. This amount is on top of the \$1.4 billion we have already committed to emergency response in Africa this year and continues the record of American generosity and commitment to the developing world.

USDA, working with USAID, will provide wheat, vegetable oil, pulses, and corn soy blend to supply vitally needed nutrition to keep people alive. All the commodities will be shipped through the title II program, managed by USAID. The wheat will be provided to the title II program from the Bill Emerson Humanitarian Trust, managed by USDA.

The Bill Emerson Humanitarian Trust, a commodity and cash reserve held by the Commodity Credit Corporation was created in the early 1980's to assure that the United States can help meet emergency food needs in a timely manner. The Trust currently is comprised of 1.4 million tons of wheat and \$107 million. After we use 500,000 tons of wheat for the G8 initiative, there will be 900,000 metric tons remaining, of which up to 300,000 tons are available for use this fiscal year, should it be needed. At the beginning of the new fiscal year on October 1, an additional 500,000 tons will be available. The CCC is currently owed \$62 million for past releases from the BEHT. An additional \$75 million will be owed for the value of the 500,000 metric ton release for Ethiopia/Eritrea. To assure that the Trust retains adequate inventory to meet future emergencies, the administration is looking for opportunities to reimburse the Trust for prior releases.

USDA FOOD AID PROGRAMS

In addition to managing the Trust, USDA administers title I of P.L. 480, the Food for Progress Program, the McGovern-Dole International Food for Education and Child Nutrition Program, and Section 416(b) of the Agricultural Act of 1949. Most of these programs are focused on longer-term economic development goals rather than emergency needs.

Last year, under its fiscal year 2004 programs, USDA supplied more than 1 million metric tons of U.S. food commodities valued at \$375 million. In fiscal year 2005, we estimate that we will provide about 930,000 metric tons of commodities valued at \$290 million.

Under P.L. 480, title I, food aid priority is accorded to countries that meet certain criteria, including undertaking economic development to improve food security and agricultural progress; to alleviate poverty; and to promote broad-based, equitable, sustainable development.

Title I provides for U.S. Government financing of sales of U.S. agricultural commodities to developing countries. Financing is provided on concessional terms for up to 30 years, with a grace period and a low interest rate. These concessional credits are extended to governments; and in fiscal year 2005, USDA plans to provide \$40 million in such credits to two countries. The commodities are sold in the recipient

country and the proceeds used to fund agricultural economic and infrastructure development.

Funds for the Food for Progress program come from USDA's Commodity Credit Corporation (CCC) as well as from appropriations under P.L. 480, title I. Currently, these funds support grant programs. In fiscal year 2005, USDA plans to use \$94 million from title I funds for these Food for Progress grants. In addition, Food for Progress activities funded through CCC are expected to total about \$137 million for commodities, transportation, and administrative costs.

The goal of the Food for Progress program is to help countries make difficult economic and political transitions, especially those governments that increase private-sector activity. Donations help developing countries and emerging democracies implement economic and agricultural reforms, recover from conflicts, assist with transitions under trade agreements, and fill gaps between production and consumption. In 2005, USDA focused on these objectives when allocating resources. USDA gave priority to programs in countries recovering from conflicts, such as Afghanistan and Burundi; in countries about to implement trade agreements that will require economic transitions, such as those in Latin America; and in countries with large food gaps to help improve nutrition.

Our newest USDA food aid program is the McGovern-Dole International Food for Education and Child Nutrition program. The fundamental goal of this program is to use food as an incentive to improve education and nutrition. For fiscal 2005, USDA is negotiating 17 Food for Education agreements in 15 developing countries. These programs will assist an estimated 3.4 million beneficiaries, primarily school children. Overall, about \$87 million will be available to provide 98,000 tons of food.

Each Food for Education proposal is reviewed using three criteria: providing incentives to help offset cultural barriers that limit education of girls; lessening the need for children to work rather than go to school; and improving literacy rates, school attendance, and spending by the recipient country on education.

The administration fully supports assisting countries in education and nutrition and has requested \$100 million for this program in fiscal 2006. This will allow us to help 500,000 more children.

In addition to these ongoing programs, USDA is also able to donate commodities obtained through domestic support programs under Section 416(b) of the Agricultural Act of 1949. Currently, the only commodity available for foreign donations under this authority is nonfat dry milk stocks that USDA acquires under the Dairy Price Support (DPS) program. Last fall, we announced the availability of 65,000 tons of nonfat dry milk; however, USDA stocks of nonfat dry milk are not as large as earlier anticipated under the DPS program, so we will be donating about 38,000 tons under the Section 416(b) authority.

CHALLENGES AHEAD

As we plan for the future, we recognize that the ongoing Doha Round of WTO negotiations could have important implications for food aid. For developing nations, trade liberalization is a vital key to market access development and to economic growth. Trade is one of the best means of generating the capital investment needed for growth. Jobs are created, employment grows, incomes rise, and the living standards of millions can be lifted as opportunity spreads throughout the economy. The promise of the current round of WTO negotiations is much greater than the last round, and this is especially true in the area of agriculture. We remain committed to negotiations to achieve broad-based farm trade reform that tackles export subsidies, market access, and subsidy reform.

While we think current rules governing food aid are adequate, we understand that new disciplines in food aid will be a part of the final WTO agreement. The real challenge will be agreeing on disciplines that encourage donors to meet vital humanitarian and development needs while assuring no commercial market displacement.

The calls by some WTO members for cash-only food aid present another challenge to meeting the food aid needs for the poorest people. The administration's fiscal year 2006 Budget requests that a small portion of P.L. 480 be funded through cash assistance, which would feed more people.

What the world needs is more food aid commodities, more cash, and more donors—not new, impractical rules that require everyone to contribute in exactly the same way. Any new disciplines applied to food aid should be discussed not only by trade negotiators, but also by international food aid experts. In the end, the focus must be on addressing the needs of the world's poorest countries, while assuring no market disruptions.

Several other factors also affect U.S. food aid efforts, such as tight Federal budgets and the sheer number of worthwhile requests. In any given year, we receive far

more food aid proposals than we have funds to support. Using the principles of the President's management agenda, we have further refined the targeting criteria that I outlined earlier. We have met with the food aid community on several occasions to provide guidance on the criteria we will use to evaluate fiscal year 2006 proposals. We are targeting our programs to low-income countries with food deficits. For the Food for Progress program, we are looking at countries that are advancing in the areas of political rights and civil liberties. For the Food for Education program, we are looking at countries' levels of female literacy and completion rates for primary education. We anticipate that our efforts to target food aid will become even more critical in the face of limited resources.

Clearly, Mr. Chairman, many challenges face us as we work to try to reduce hunger and malnutrition for the world's neediest people. Through our partnership with USAID, we will continue to build on the longstanding American record of generosity in providing food aid and development assistance.

That completes my statement, Mr. Chairman. I would be happy to answer any questions you or the members of the Subcommittee have.

STATEMENT OF WILLIAM J. GARVELINK

Chairman Jenkins, members of the subcommittee, I am pleased to have the opportunity to meet with you today to talk about food security in the developing world and the role that U.S. food aid plays in meeting global food needs. Before I start, I would like to take the opportunity to thank you and your staffs for supporting the P.L. 480 title II program which has been a critical tool in fighting hunger and poverty worldwide.

Over the past 50 years, the American people have assisted nearly 3.5 billion people at risk of hunger and malnutrition through P.L. 480 food aid programs. Since 1954, Food for Peace has sent more than 108 million metric tons of American food at a cost of about \$35 billion to more than 150 countries. Several countries in Asia and Latin America such as Japan, South Korea, Chile and Argentina have made notable progress toward achieving food security while receiving U.S. food assistance and a number of these have gone on to become major food donors.

The past several years have proven to be some of the toughest in recent history as we have faced severe food shortages and political crises in east and southern Africa, Afghanistan and Iraq. Throughout this period, however, the U.S. has shown a remarkable commitment in the effort to avoid large-scale hunger related disasters. Thus far, the U.S. has averted widespread famine in Ethiopia through the provision of millions of metric tons of food assistance over the past four years. In addition, our programs have also fed more than 4.5 million people in Southern Africa, Darfur and South Sudan during this time. We continue to carry out successful emergency and non-emergency food assisted interventions in challenging environments in both Iraq and Afghanistan and in many other locations in Asia, Latin America and Africa.

P.L. 480 title II represents the largest amount of U.S. Government resources committed to fighting global food insecurity, providing over \$6.5 billion in assistance since 2000. Title II programs support the G8 principles of ending the cycle of famine, particularly in the Horn of Africa, improving emergency assessment and response systems, and promoting rural development in food insecure countries. In fiscal year 2004, USAID programmed \$1.67 billion and 2.1 million metric tons of food in 64 countries. During fiscal year 2004 title II emergency aid totaled \$1.19 billion including \$248 million which provided 490,000 metric tons to assist 7.2 million food insecure Ethiopians in the Horn of Africa, and \$135 million (207,000 metric tons) for alleviation of the prolonged food crises in Southern Africa. USAID's title II response to new emergencies was also significant as 118,400 metric tons valued at \$112.9 million was spent to assist 2 million people in Darfur, Sudan and Chad. This fiscal year alone, USAID has donated approximately 365,000 metric tons with a value of \$314 million, (including 200,000 metric tons from the Bill Emerson Humanitarian Trust) representing over 80 percent of the emergency food response to the crisis in Darfur.

While the situation in some areas of Darfur—most notably those areas that have received continual assistance—has stabilized, the food security situation remains very precarious. More than 1.6 million people have been displaced from their homes, and continue to be reliant on external food assistance. The ongoing crisis has also decimated livelihoods in Darfur—the World Food Program estimates that up to 3.5 million people will require food assistance of some kind during the height of the annual hunger gap from June through September. At the same time, insecurity and harassment directed towards international agencies has continued to frustrate the

relief operation, preventing commodities from reaching those who are often the most in need. With continued violence and displacement of vulnerable populations, it is very possible that this year's harvest in Darfur will be similar to or lower than last year's, meaning that the enormous food requirements in Darfur that we are seeing this year will continue into 2006.

Emergency programs have traditionally encompassed several types of activities for the purpose of addressing the wide-ranging needs of beneficiaries. They include: food for asset creation, supplementary feeding, therapeutic feeding, food for work and food for agriculture. Due to the overwhelming number of emergencies in recent years, resources have been cut from longer term development programs which address the underlying causes of hunger, and are being used to meet short term, life-threatening needs. This situation of triage is not sustainable if we are to have a lasting impact on global food security over the longer term. Our challenge is to use our resources in ways that save lives now while preventing emergencies in the future. Programs that focus on longer term development initiatives are critical if we are to prevent and mitigate future emergencies. Title II development activities are implemented in a number of technical sectors, with a focus on interventions that improve household nutrition and increase agricultural productivity. Some of the sectors include: maternal child health and nutrition, water and sanitation, agricultural productivity, natural resource management, education, support to orphans and vulnerable children and their communities, and micro-enterprise. The interventions in these sectors support efforts in promoting economic prosperity and security, environment, education, health, and democracy, governance and human rights.

In the past decade, and especially in the past several years, conflict-related emergencies and natural disasters have created global food needs beyond the capacity of the U.S. and other donors to respond using the options currently available to us. In specific situations, food pipelines break or conflicts pause and we need to move food quickly to save lives. In those situations, we need physical access to the food within days or weeks versus months.

One of the many ways that USAID has streamlined operations to meet critical food needs in a timely way has been to establish a pre-positioning warehouse in Dubai, UAE. U.S. commodities are stored in this warehouse for a short timeframe until emergency needs arise. The commodities can be quickly transported to any country or region in the area, particularly to the Horn of Africa where needs are often greatest. Use of this facility can cut food delivery time from an average of four months to less than two weeks from when the food is requested. Despite the usefulness of this facility, however, it does not have the capacity or stock the variety or mix of commodities needed to meet the urgent emergency needs unique to every situation.

While food grown by American farmers will continue to be the cornerstone of our response to large scale food emergencies, given the widely differing conditions faced in the countries where we provide food aid, USAID desires as much flexibility as possible to respond quickly and appropriately in each situation. The ability to purchase food at or near the scene of an emergency would help us fill a critical gap while waiting for US commodities to arrive months later. USAID continues to explore ways to maximize our flexibility to program resources in the most successful, cost effective way possible. For example, the response to the crisis in Darfur would have been enhanced by the availability of cash resources for local purchase. At the very start of the crisis approximately 200,000 MT of cereals in Eastern and Central Sudan were available from the bumper harvest of 2003. Had cash resources been available at that time, USAID could have quickly procured a significant quantity of cereals from these regions and transported it to Darfur in less than one-third of the time it takes to buy and ship commodities from the United States.

In a further effort to streamline operations and enhance the results of our programs, USAID's Office of Food for Peace has improved how programs are administered and is launching a new strategy for addressing food insecurity. The single strategic objective of the new strategy is to "reduce food insecurity among vulnerable populations." USAID will focus title II resources on reducing the risk and vulnerability of households and communities to food insecurity. The concept of risk is implicit in the USAID definition of food security, but operationally the program has focused on raising the levels of food availability, access and utilization, with less emphasis placed on the risk of losing the ability to obtain and use the food. Under the new strategy, food security will remain the cornerstone of the title II program in accordance with the 1990 Farm Bill which made "enhancing food security in the developing world" the overriding objective for the entire PL 480 program. USAID has expanded the basic food security conceptual framework to include a fourth element to make explicit the risks (economic, social, health and political as well as natural shocks) that impede progress toward improvements in food availability, access and

utilization. This has operational implications and will result in the title II programs in the field being reoriented so that the vulnerability of food insecure individuals, households and communities is addressed more directly. Efforts will be centered on strengthening coping capacities of individuals and communities to deal with various types of risks. By improving a population's ability to protect themselves from the effects of shocks, they will experience less of a loss when disasters strike and will be able to recover and achieve stability more quickly.

In addition, the new strategy calls for the U.S. to assume a global leadership role in promoting food security. USAID plans to enhance its relationships with its major implementing partners—the PVOs and the World Food Program. In addition, USAID will play a more active role in framing and advocating for a new food security agenda both within USAID and with the broader international community. It will also exercise more leadership to galvanize increased attention and support—including financial resources and technical expertise—from other USG sources and other donors to the problems of the food insecure. The U.S. is currently the largest donor by far to the United Nation's World Food Program with contributions in fiscal year 2004 of more than \$1 billion approximately 50 percent of total contributions.

In promoting food security on a global scale, USAID is presently involved in influencing the World Trade Organization's debate on food aid issues in the context of the current agricultural trade negotiations. Some of the other WTO members would like to do away with in-kind food aid such as the P.L. 480 title II program. The U.S. has made two presentations at the WTO in Geneva on U.S. food aid policies and programs. At these presentations and in the negotiations we have reminded member states and relevant international organizations that we must come to an agreement that will ensure: (1) that we maintain adequate food aid levels in keeping with global needs; (2) that food aid continues to be an internationally accepted form of assistance when it targets food insecure populations; and (3) that we minimize any trade distortions. We will continue to do all we can to ensure that the WTO Doha Development Round does not restrict in-kind food aid. If food aid is unduly restricted, it will inhibit development, worsen food insecurity and create instability in developing countries and lead to unnecessary deaths in the developing world.

Many of the challenges that we face today as we combat food insecurity did not exist at the founding of the Food for Peace program. One of the most serious new barriers to food security is the HIV/AIDS crisis. This epidemic threatens agricultural communities and rural economies around the world. USAID has been supporting its implementing partners in responding to this challenge. An initial \$10 million investment in 1999 grew to over \$20 million in fiscal year 2004. Increasingly, partners are responding to community needs for programs that address reduction of food insecurity in the medium and long term in addition to responding to immediate food needs. USAID and its partners are developing these responses in coordination with the President's Emergency Plan for AIDS Relief despite the availability of limited resources.

Changes in the global security environment have also impacted USAID's ability to respond to food aid needs. USAID, and our food programs in particular, now operates in an environment characterized by increased frequency and severity of natural and manmade disasters, terrorism, instability, corruption, poor governance and human conflict. President Bush's national security strategy acknowledges the importance of fighting poverty abroad. The strategy defines the three pillars of our foreign policy as Defense, Diplomacy and Development. Recognizing that we cannot solve all of today's problems with military or diplomatic resources, he reiterated the importance of what development practitioners do in preserving our national security. Our food programs provide the resources for those working on the ground to save lives and sustain livelihoods, ultimately building societal structure and stability to prevent countries from becoming breeding grounds for terrorist activities. This is particularly relevant in states with fragile or failing governments, which lack the desire or ability to provide basic services or protection to their citizens. It is in these environments that many of our food programs operate.

In that context, USAID is working to solidify relationships with the Department of Defense and strengthen ties with the Department of State, ensuring a cohesive integration among the three pillars of our National Security Strategy. Successful collaboration between USAID and the military over the past several years in Iraq and during the tsunami response has highlighted an opportunity for future cooperation. USAID has established an Office of Military Affairs that will work with counterparts in the Department of Defense to outline strategies and methods for us to work together, on the ground, to meet humanitarian, development and U.S. national security needs.

In January of this year, USAID released its Fragile States Strategy. The strategy promotes four basic objectives for carrying out work in fragile, failed and failing

states which are to: (1) improve monitoring and analysis; (2) ensure that priorities respond to realities on the ground; (3) focus programs on the source of the fragility or weakness; and (4) create or use streamlined operational procedures to support rapid and effective response. Our underlying priorities in working in fragile states are to increase stability, promote security, encourage reform and build institutional capacity. This will address the causes of fragility as opposed to simply targeting symptoms.

Despite all that we and the rest of the world are doing to win the war on hunger, the number of chronically malnourished people in the world is rising, now totaling more than 850 million people. Though undernourishment has fallen in 30 developing countries since the early 1990's, poverty and conflict have contributed to its growth elsewhere. The work is getting more rather than less arduous and it is evident that we must expand the ways in which we conduct our business. The old way of doing business is insufficient to meet the mounting needs in this new environment.

I would like to thank you for the support that your subcommittee has given to USAID in meeting U.S. food and national security needs.

STATEMENT OF SEAN CALLAHAN

Chairman Jenkins, Ranking Member McIntyre and members of the subcommittee, my name is Sean Callahan. I am the vice president for Overseas Operations of Catholic Relief Services and I appreciate this opportunity to testify before the Subcommittee on food aid programs.

May I first commend Chairman Bob Goodlatte for recognizing the need for oversight on food aid requirements, our capacity to provide aid and obstacles to the delivery of aid. I likewise thank the chairman and ranking member of the subcommittee for holding this timely hearing.

CRS is proud to be among the largest, most experienced and most effective programmers of emergency and development food aid provided by the people of the United States. We are honored to represent the 65 million member Catholic Community in a 51-year-long partnership with Food For Peace that uniquely expresses the compassion and good will of the American people.

The Title II Food Aid Program represents a unique partnership of the U.S. Government with American farmers, processors and shippers, as well as with American private voluntary organizations (PVOs). It also links American groups with partners in the developing world. These partnerships together make up one of the most successful and durable foreign assistance programs in our Nation's history. Title II also provides an economic stimulus for rural America, which is often buffeted by weather, shifts in global markets and tight Federal budgets.

As the vice president for Overseas Operations, I manage and monitor CRS food aid programs in 24 countries. As a former country representative and regional director, I also have 17 years of experience in managing food aid programs.

I come before you this morning to highlight the effectiveness of PL 480 Title II food assistance programs and to highlight obstacles to effective food aid such as counterproductive proposals being advanced in the World Trade Organization.

GLOBAL FOOD AID REQUIREMENTS

CRS has carefully analyzed reports and estimates of fiscal year 2005 food aid requirements. We reviewed information from the WFP and USAID in consultation with members of the Coalition on Food Aid. The Coalition represents 16 PVOs with operational food aid requirements. When Congress considered the fiscal year 2005 Supplemental Appropriations bill, the Coalition submitted a letter requesting \$670 million to meet shortfalls for both emergency and developmental food aid.

The enactment of the Emergency Supplemental Appropriations increased Title II food aid by \$240 million. While we welcome this amount, it fell far short of anticipated needs. Consequently, CRS and Coalition allies supported efforts in both the House and Senate that urged the Administration to release additional commodities from the Bill Emerson Humanitarian Trust. Happily, President Bush recently announced that the administration would provide \$250 million in Trust commodities to meet emergency needs in the Horn of Africa.

The combined resources, \$490 million from the fiscal year 2005 Supplemental and the Trust release, still leave us about \$180 million short of documented needs in fiscal year 2005. I urge the Congress and the Administration to provide the additional resources for the remaining urgent needs in Africa and Asia.

For fiscal year 2006, CRS and the Coalition estimate that the historical 60 percent US share of global food aid needs amounts to \$2 billion. Providing this level will allow the U.S. to meet both our share of relief and of development commitments around the globe. Preliminary estimates show the emergence of overwhelming needs in Sudan, Ethiopia, Eritrea, and Southern Africa. In fact, 23 Sub-Saharan African countries face food shortages that will not be made up by usual trade, usual aid and local production. We will have to pick and choose who gets assistance if the resources are not available in the fiscal year 2006 appropriations. Other agricultural exporting countries are not willing to pick up the slack, which only adds to the problem.

While funding food aid is mainly the responsibility of the Appropriations Committee, I am obliged to point out to the Subcommittee that the House passed bill provides only \$1.1 billion for fiscal year 2006. That falls \$900 million short of the estimated need for US food aid.

A shortfall of this magnitude will also punish rural America at a time when other budget constraints may already create hardships for family farmers and ranchers. To better understand why we need to provide the full \$2 billion, I believe we need to be clear about the core purposes of this program. In the short term, food aid feeds the hungry. In the longer term, food aid is an effective tool for improving people's ability to feed themselves.

The UN Food and Agriculture Organization reports that 848 million people do not get enough to eat. Of these, the United States Department of Agriculture estimates that the number of people who live on less than 1,000 calories a day is 82 million. These people are truly hungry. And these are the people we need to help.

What do 82 million people look like? It would be as if each and every man, woman and child in the 11 home states of each and every member of this subcommittee were starving. I ask you to imagine what you might feel if you and everyone you knew back home were starving.

What does 1,000 calories look like? It would be as if your entire daily diet consisted of a cheeseburger, an order of fries and a soda. That's it—not exactly a Happy Meal. In reality, it would be a bowl of rice, some potato leaves, a few ounces of fish and some palm oil.

The CDC estimates the average American male consumes 2,600 calories a day. The USDA estimates more than 800 million people worldwide live on less than 2,100 calories a day.

According to the United Nations, 25,000 people a day die of hunger related causes. They are too weak to fight off the flu or the effects of diarrhea. They are underweight infants and overwhelmed mothers. They die quietly, off camera, unnoticed by the rest of the world.

FOOD AID CAPACITY

I can assure members of the subcommittee that title II food aid is a wise investment. Development food aid is an effective tool that enables people to feed themselves.

Evaluations of CRS title II programs between 2000 and 2004 showed a doubling of rice yields in India, an 86 percent increase in breastfeeding in Africa, more than 1.1 million students fed, and an overall increase in the graduation rate of 42 percent. I would be pleased to provide additional data or examples under separate cover. Title II is an effective tool to grow farm income, increase school achievement and improve the health and nutrition of infants.

Not only are CRS programs creating measurable results, but also we are accountable for the resources used to achieve the results. Each year, our programs are audited by the USAID Inspector General and by our internal auditors as part of an OMB-required worldwide A-133 audit.

The drive to improve the lives of those we serve and the need to report results to USAID, coupled with rigorous audit requirements, result in effective, accountable, and cost effective programs. I would encourage all international organizations receiving US taxpayer money to be held to the same high standards that USAID holds American Title II PVO cooperating sponsors.

In a word, title II development programs effectively and efficiently increase food production, education and health care. They also bolster our own national security by reducing poverty and instability in developing nations. These conditions offer a fertile breeding ground for terrorists. Removing those conditions provides a critical tool in our fight against terror.

OBSTACLES TO EFFECTIVE FOOD AID

The main impediments to effective food aid include under funding for development programs, the failure to use the Emerson Trust in a timely and robust manner, and the threat of pending WTO proposals to curtail the use of legitimate and necessary food aid.

I believe all three obstacles fall within the oversight responsibility of this Subcommittee and the full Agriculture Committee. I come before you to seek your ongoing cooperation in addressing these problems.

First, the 2002 farm bill states that a minimum of 2.5 million metric tons of commodities is to be purchased with appropriated funds for title II. While we worried that the minimum would be the maximum, recent appropriations fail to provide even the minimum.

In addition, in recent years we have seen the title II sub-minimum tonnage level for non-emergency programs turned on its head. The law states that 1,875,000 metric tons of commodities (75 percent of the title II minimum tonnage level) are for non-emergency programs. If there is a need to provide more than 25 percent for emergency relief, USAID must submit a waiver notice to Congress during the fiscal year in which the 25 percent would be exceeded. It is not acceptable for USAID to plan in advance to hold back funds from non-emergency programs, which is the continued practice.

Today, more than 75 percent of resources are devoted to emergency programming. We need to reverse this trend. We urge the Administration and Congress to appropriate \$1.5 billion to development and \$500 million to emergencies under title II and, when unanticipated needs occur during the fiscal year, to use the Bill Emerson Humanitarian Trust or to seek supplemental appropriations.

Because of the diversion of title II development assistance to emergencies, the development relief concept has been incompletely implemented; the balance has been tipped toward short-term emergency interventions, leaving limited opportunities for programs that can have a lasting impact. Scarce development resources are spent on emergencies. Rather than having development resources to build food security in the Horn of Africa, we are forced to react to acute food insecurity in places such as Ethiopia and Sudan.

While we appreciate and strongly support the role of title II in emergency relief, we believe sacrificing long-term sustainable development for short-term emergency relief is counter-productive. The result is that instead of building community capacity to cope better with the next emergency, and so reducing the need for emergency assistance, we perpetuate the cycle of disaster and famine with our reactive responses. Providing too little, too late is disrespectful of the dignity of these most vulnerable people.

Second, as I previously noted, the preferred way to meet emergency needs is by tapping the Bill Emerson Humanitarian Trust or seeking Emergency Supplemental Appropriations from the Congress. Doing so leaves the development food aid programs intact so we can win the battle against chronic hunger. I believe the American people are always willing to respond generously to meet unseen emergency needs. We saw ample evidence of this spirit when Americans took out their checkbooks and made over \$150 million in Tsunami Relief donations to CRS alone. We simply must stop cannibalizing title II development programs, in violation of the spirit and intent of the farm bill.

Third, Humanitarian food aid programs are in danger today because they are on the negotiating table as part of the latest round of World Trade Organization (WTO) Doha Round talks. The American people's ability to offer a hand up to the needy should not be a bargaining chip for agriculture trade negotiations with other countries. I am here to tell you that humanitarian food aid should not be subject to the same restrictions as commercial agricultural trade. The WTO should have a little or no role in determining how humanitarian food aid is provided. It should leave food aid decisions to institutions with food aid expertise.

We will go a long way to meeting our Millennium Development Goal of halving world hunger if we take the lead in honoring donor commitments to the Food Aid Convention. These commitments dropped from 7.5 million metric tons in 1986 to 4.8 million metric tons in 1999. The US should lead the other donor nations in reaching the 10 million metric tons target of the original Food Aid Convention.

It is critical that the Doha Round negotiators refrain from taking any actions that result in a decline in food aid availability. The US Trade Representative needs to advocate firmly at the Doha Round negotiations that title II is neither surplus disposal nor market development. As it says on every bag and box of title II food aid—it is a gift from the American People.

I want to thank Chairman Goodlatte and Ranking Member Collin Peterson for their strong support of unencumbered title II Food Aid in the WTO negotiations. The continued support of the House Agriculture Committee will make a critical difference in ensuring that hungry people can depend on help from America and other donor nations. This backing will also uphold the legitimacy of the Food Aid Convention as the appropriate venue for addressing most food aid issues. Committee support will also assure American producers, processors and shippers that they are getting fair treatment in negotiations involving food aid.

In conclusion, Mr. Chairman, we need to safeguard legitimate food aid at the WTO and ensure that we properly manage all of our food aid resources, including the Emerson Trust. Most importantly, we must insist on robust funding for development food aid programs.

It has been estimated that investing \$1 in emergency preparedness and mitigation through development programs will save \$7 in emergency response. Not doing the development programming often results in needing to respond to an emergency situation, and often the delay in responding to the emergency means that it is much larger than if we'd been able to mobilize the resources at the first sign of trouble.

Providing the full \$2 billion in fiscal year 2006 and in years ahead will save time, save money and save lives.

Thank you. I would be pleased to respond to any questions.

STATEMENT OF JAMES R. PHIPPARD

Mr. Chairman, thank you for inviting me to testify.

ACDI/VOCA provides technical assistance to assess, design, implement and evaluate short- and long-term economic development activities. ACDI/VOCA is a Private and Voluntary Organization (PVO) registered with USAID. We specialize in creating organizations, whether cooperatives, associations, enterprises or financial institutions, that can manage and finance themselves. ACDI/VOCA addresses the most pressing and intractable development problems related to:

- Enterprise Development;
- Agribusiness Systems;
- Financial Systems; and
- Community Development.

Food aid programs are an integral part of our approach. We have been a leader in the use of monetization as a development tool, a means of spurring economic growth and increasing incomes.

Founded by U.S. agricultural cooperatives, ACDI/VOCA draws on these roots in implementing bottom-up projects. While retaining strong grassroots capabilities, ACDI/VOCA today implements global value-chain and business competitiveness projects of significant scale and complexity.

According to the U.S. Department of Agriculture, more than half of U.S. commercial agricultural exports are sold to countries that were once food aid recipients. This demonstrates the importance of food aid as a driver of economic growth. In ACDI/VOCA's practice, food aid is more than a handout of U.S. commodities. When linked with development activities, such as agricultural production, income generation, knowledge transfer and natural resource management, food aid improves the health, productivity, living conditions and incomes of recipients. In short we and other PVOs involved in food aid undertake developmental programs that are designed to assist families to become self-sufficient and, over time, reduce the need for emergency food aid programs.

Under programs of the U.S. Agency for International Development and USDA, ACDI/VOCA has monetized or distributed 850,000 MT of U.S.-donated commodities valued at over \$200 million since 1989 to enhance food security and promote economic development. We know the effectiveness of food aid—not just for humanitarian relief but also as a driver of economic growth.

Mr. Chairman, ACDI/VOCA supports a robust food aid program that is fully funded and free of WTO restrictions. In the public perception, food aid is usually associated with emergency feeding programs in cases of natural and man-made disaster. However, “non-emergency” programs stave off hunger and malnutrition in communities where productivity is low and disease and other forms of suffering, and early death, are prevalent. At ACDI/VOCA we have seen the effectiveness of food aid and will argue today that this bountiful nation can afford more generous contributions of that most basic necessity: food.

In this regard, it is important to note that emergency food aid is often a stopgap, (albeit an essential one) whereas the use of food aid for development purposes can

be an investment in future prosperity. Allow me to explain. There is a commonly appreciated need for food to be distributed to save lives and to stave off hunger and malnutrition. What may not be as easily appreciated is the usefulness of food aid for its economic development impact through monetization. Instead of direct distribution of commodities to the needy, or handing over of a shipment to a parastatal organization, ACDI/VOCA uses the monetization process itself as a means of stimulating trade within a country, designing the process so that small traders have equal access to markets. By breaking up the commodities into small lots and working directly with interested local participants in an auction or other sales process, we stimulate the local market, promote entrepreneurship and fair competition and provide a more efficient and wider distribution of needed foodstuffs. In this manner, market relationships and value chains are established so that continued transactions distribute the commodity further out into the countryside and contribute toward the development of a market economy. ACDI/VOCA is the lead monetizer for six PL 480 title II programs in Africa and has monetized on behalf of other NGOs WFP, and the U.S. around the world.

Under current constraints, caused in part by commitments for the Asian Tsunami and other emergencies, non-emergency programs have been reduced to the lowest levels in recent history. Without additional funding in 2005, non-emergency programs will fall to 22 percent of the title II portfolio, or about 600,000 metric tons. This is a 40 percent cut from the 2001 level and it constitutes only 32 percent of the 1,875,000 metric tons called for in the PL 480 authorizing legislation. The administration's 2006 food aid budget of \$1.185 billion (assuming the proposed \$300 million transfer to OFDA) continues this downward trend. Just to reach the title II statutory minimum tonnage level of 2.5 MMT, \$220 million more would be needed.

Based on projected needs, ACDI/VOCA stands with our colleagues in the Coalition for Food Aid in seeking \$2 billion for PL 480 title II in 2006. Considering how title II was augmented in recent years by an average of \$600 million per year, even \$2 billion merely approximates recent expenditures and does not strengthen the position of our food aid program.

In this resource-scarce environment, even the emergency needs have not been met on a sufficient or timely basis. Piecemeal allocations have the unfortunate effect of disrupting or negating our well-planned development programs. This is because development initiatives using food aid are planned well in advance of the actual receipt of the commodities and depend on a smooth flow of those commodities. An uneven supply can cause severe program dislocation, as implementers have to adjust their plans, often at the last moment, and at considerable expense, in response to diminished resources. It is clear that for the most successful food aid projects, sufficient funding for both emergency and non-emergency programs would be made available at the beginning of the fiscal year through the regular appropriations process.

The emphasis should be on enhancing household food security. PVO implementers can be forced by shortages of food aid to distinguish between those who are struggling with an immediate, life-threatening emergency, and those whose lives may not be immediately at risk but which are chronically degraded by constant food insufficiency. Working largely with the latter group through its non-emergency programs, ACDI/VOCA is too well aware of the impacts of cuts in and disruption of these programs when cuts on commodities are made in order to meet underfunded emergency programs. It is crucial that USAID meet its commitments to non-emergency programs as currently allowed in the Food Aid Convention of 1999 (FAC), so that recipients, even though they may not be mass victims of a well-publicized tragedy, are nonetheless able to move ahead in achieving food security and increased incomes—and not become victims of future emergencies. Shortchanging developmental food aid programs only relegates PVOs and the donor community to dealing with food security in perpetuity.

Over the years, ACDI/VOCA and other PVO implementers of food aid programs have developed increasingly sophisticated uses of non-emergency food aid to promote sustainable development. Food-assisted agricultural programs have been structured to integrate directly related inputs such as technical assistance and training, market development and value chain analysis; as well as complementary inputs including nutrition education, supplemental food assistance to HIV/AIDS sufferers and literacy training. Through programs such as these, agricultural production has increased at the household level, storage losses have been reduced, household provisioning has improved and poverty and hunger have diminished.

We in the Coalition for Food Aid are very concerned that the negotiations on the Doha round may result in actions that compromise the availability of food aid, thereby limiting our ability to address problems of food insecurity, hunger and pov-

erty in the countries in which we work. It is critical in our view that the Doha negotiators recognize the importance of food aid in development, and not attempt to define or to limit its availability and use.

An underlying concern of some negotiators in the Doha Round seems to be the use of food aid as a way to circumvent limitations on export subsidies. While this may be within the purview of the WTO in its role of providing ground rules for international commercial trade, PVO development programs are carefully planned and monitored to ensure that food aid is neither linked to market development objectives of donor countries, nor used in a manner that might interfere with commercial trade. Furthermore, the WTO is ill-equipped to monitor potential abuse of these practices. If such external monitoring is considered necessary, we suggest that the Food and Agriculture Organization (FAO) Consultative Subcommittee on Surplus Disposal (CSSD) is in a much better position to make these assessments. And because of its organizational presence in the field and its broad understanding of the use of food aid, CSSD can consider the needs of recipients more fairly than the WTO.

Mr. Chairman, there are also the concerns relating to the potential for food aid to cause market distortions in the developing economies where it is used. As development professionals we are alert to this concern, and take extraordinary care that market distortions do not occur. Protections against potential international market distortions are built into the planning process. Before projects are implemented, a careful analysis of the market is done through the Bellmon Analysis, required by USAID, and the Usual Marketing Requirements (UMRs) done by the U.S. Department of Agriculture to ensure that distortions are not created.

Finally, Mr. Chairman, I will close with a brief example of two ACDI/VOCA projects that illustrate our work with food aid. I have chosen a project using monetized food aid in Rwanda; and a project using food aid both as a monetization program and as a direct distribution food supplement in Uganda.

Rwanda. Rwanda, ACDI/VOCA's title II project is an example of a food aid monetization project that is a springboard to complex, interactive development activities. Following the civil war and genocide of the 1990's, Rwanda faced destabilization and severe food shortages on top of chronic poverty. In response, USAID awarded ACDI/VOCA a contract to implement an emergency food monetization program in 1998, followed by a five-year USAID P.L. 480 title II development program in February 2000 and a follow-on title II program in 2005.

ACDI/VOCA monetizes U.S. vegetable oil through monthly sealed-bid auctions. Besides supplying a scarce food commodity, monetization has facilitated the reemergence of small-trader activity (over 140 traders have been trained in the auction process) and an open, competitive market. When the initial title II program closed in February 2005, ACDI/VOCA had monetized about \$6 million worth of vegetable oil. ACDI/VOCA also acts as lead monetizer for a consortium including World Vision and Catholic Relief Services, our colleagues here today. ACDI/VOCA has also negotiated the sale of 670 metric tons of wheat, through an agreement under which ACDI/VOCA is helping to develop the local wheat sector.

ACDI/VOCA also awards grants to rural associations and cooperatives involved in such activities as coffee processing, fish farming, honey production and rice cultivation. These grants support long-term economic activities and reduce vulnerability to shocks and future food insecurity. ACDI/VOCA also works with local banks to enhance grantees' credit access, and helps cooperatives and smallholder groups strengthen business skills in order to penetrate commercial agricultural markets. ACDI/VOCA also promotes enhanced access to markets by Rwandan farmers through the rehabilitation of roads and bridges.

Partnering with local organizations ACDI/VOCA promotes agricultural development and improved natural resource management. We distributed one million tree seedlings to the local population in southern Butare Province in an effort to control soil erosion. We are also introducing new and improved bean and cassava varieties. A major focus has been increasing the quality of coffee and enhancing the production and marketing chain. One grantee, the Abahuzamugambi Cooperative, has sold coffee to Union Roasters in the United Kingdom and to Community Coffee in Louisiana. Another grantee, COOPAC, has sold to Starbucks and LOBODIS of France.

A new food distribution component, which will be carried out under the most recent grant in collaboration with Africare, will improve household health and nutrition and reduce vulnerability to HIV/AIDS.

Uganda. Since 1989, ACDI/VOCA's P.L. 480 title II program has assisted Uganda to rebuild its economy and make the transition from civil war to democracy and free enterprise. Our projects affect all stages of the food chain (and illustrate the interactivity and synergy of the NGO development approach). They have helped to trans-

form subsistence farmers into viable commercial producers, increasing rural household income and food security.

In the monetization program, U.S. wheat is sold through negotiated sales, and vegetable oil is sold in small-lot auctions, which serve to open and stimulate the local commodity market while benefiting both small- and large-scale commercial traders. In 1997, Uganda produced only 5 percent of its edible oil requirements, and donated oil was much-needed. In an effort to "put itself out of business" ACDI/VOCA food aid monetization proceeds have been applied to increasing vegetable production and marketing activities through grants to local farmer organizations, and today Uganda produces 40 percent of its vegetable needs. ACDI/VOCA also conducts monetization on behalf of Africare, Catholic Relief Services, Save the Children and World Vision.

ACDI/VOCA provides grants to local and international NGOs in order to:

- Increase agricultural production - Promoting high-quality inputs and training smallholders in improved techniques and effective business practices;
- Rehabilitate farm-to-market roads - Rehabilitating rural feeder roads, catalyzing a proliferation of commercial centers and economic activities; and
- Expand rural financial services - Providing loan collateral for commercial activities and funding the training of agricultural loan officers.

In its direct food aid distribution program, ACDI/VOCA distributes supplementary food rations to people living with HIV/AIDS, their dependents, children and orphans. The program benefits 60,000 people annually. ACDI/VOCA also conducts nutrition and hygiene training for food distribution beneficiaries.

The Rural Economy and Agricultural Production (REAP) project improves food and livelihood security for 17,000 residents of Palenga and Bobi, IDP camps in northern Uganda and prepares them for eventual resettlement. ACDI/VOCA conducts training to increase agricultural productivity and promotes business-minded farming and greater market access through a cash-for-work component to rehabilitate 80 km of community roads, outreach to local farmers on improved farming and agro-forestry systems, and training in farming as a business, post-harvest handling and marketing strategies.

STATEMENT OF ROBERT G. ZACHRITZ

Mr. Chairman, thank you for inviting World Vision to testify before your committee today and thank you for holding this hearing. My name is Robert Zachritz. I serve as the Senior Policy Advisor for World Vision.

World Vision is a Christian relief and development organization operating in nearly 100 countries with an overall budget of about \$1.5 billion. In 2004, World Vision United States contributed \$800 million to this total, of which two-thirds came from private donations. World Vision has more than 1 million private donors from every State and Congressional District in the United States.

WORLD VISION FOOD AID PROGRAMS

With more than 20 years of food aid experience, World Vision began its first large-scale food responses in Poland and Ethiopia in the 1980's. Using food as a resource, World Vision seeks both short- and long-term solutions to food insecurity through its emergency relief and development programs around the world. Through our advocacy efforts, World Vision works to transform the systems and conditions that promote hunger, malnutrition, and poverty.

In fiscal year 2004, World Vision handled 820,000 metric tons of food aid, valued at approximately \$352 million dollars, serving 7.2 million beneficiaries in 33 countries. Nearly 25 percent of the food programmed was for developmental purposes. World Vision believes developmental programs are a critical part of our food aid portfolio. They address the underlying causes of food insecurity and help vulnerable populations be better prepared to cope with disasters and ongoing challenges of chronic disease, such as HIV/AIDS.

World Vision's major donors for food aid programs include the US Agency for International Development, the World Food Programme, and the US Department of Agriculture. World Vision also partners with local faith-based and community-based organizations and other international private voluntary organizations like Catholic Relief Services, CARE, Save the Children, and Mercy Corps, to implement food aid programs in various different situations.

World Vision was recently elected chair by the 16 members of the U.S. Coalition for Food Aid whose Executive Director is Ellen Levinson.

REAUTHORIZATION OF THE U.S. FARM BILL

In regard to the upcoming reauthorization of U.S. food aid programs in the next farm bill, I want to thank this Subcommittee and the full House Agriculture Committee for its generous support of food aid programs in the past, and hope it will continue in the future.

The 2002 farm bill had a focus on the importance of nonemergency as well as emergency programs. It increased the minimum level of assistance for P.L. 480, title II donation program to 2.5 million metric tons of commodities per year with a minimum for nonemergency programs of 1.875 million metric tons. Unfortunately, these requirements for nonemergency programs have not been met.

The United States has become the major source of commodities for meeting emergency global needs. However, this has caused USAID to divert food aid from important developmental programs. This is unfortunate because it takes away from efforts to end the cycle of poverty and hunger.

Thus, when Congress reauthorizes food aid programs as part of the next farm bill, we strongly encourage reinforced support for non-emergency title II programs. A critical part is adequate appropriations, which we estimate to be \$2 billion for title II per year.

World Vision also urges continued support for the Food for Progress Program, McGovern-Dole International Food for Education Program, and the Bill Emerson Humanitarian Trust.

It is critical that food aid programs be allowed to complement the global efforts to combat HIV/AIDS. Targeted food assistance is necessary to successfully address global AIDS and is part of a comprehensive approach to the pandemic.

In all food aid programs, it is important that flexibility be provided for both commodity and cash interventions.

DOHA TRADE TALKS AND FOOD AID

As this committee is well aware of, the Doha Trade talks are considering placing additional restrictions on international food aid. This is of great concern to World Vision. Food aid is not a bargaining chip to be used in the geo-political game of reducing agriculture subsidies.

Some individuals and nations are advocating eliminating the direct role of private voluntary organizations, eliminating monetization, and moving to a cash only system. All three of these proposals are problematic.

The Coalition for Food Aid has been actively engaged in discussions with developing countries at the Doha negotiations. We find that their Geneva missions are terribly under-staffed which has made it difficult for them to intervene effectively to protect food aid programs that they support. However, we understand that in recent Doha food aid meetings, these developing countries have become more engaged, which we hope will balance the call for restrictions on food aid promoted by certain exporting countries.

Finally, I would like to request that the Committee include for the official record, with my testimony, the Coalition for Food Aid's letter of June 13, 2005 to U.S. Trade Representative.

Thank you again Mr. Chairman for allowing World Vision to testify today. I would be happy to entertain any questions you may have for me.

STATEMENT OF JIM MADICH

Thank you Mr. Chairman and members of the Subcommittee. I am Jim Madich, a vice president of Horizon Milling a Cargill Foods affiliate. I also serve as the chairman of the International Trade Committee of the North American Millers Association, the trade association representing 48 companies that operate 169 wheat, oat and corn mills in 38 States. NAMA member companies have been active suppliers to US food aid programs since the inception of the Public Law 480 program 50 years ago. We supply fortified, grain-based products such as wheat flour, bulgur and corn soy blend to USDA and they are then used by NGO's and the World Food Programme in direct distribution, school feeding, food for work and monetization programs. I'm also here as a proud citizen who's been lucky enough to play a small role in these programs which have an enormous positive impact on people who are struggling to survive. The stories that I have heard over the years are awe inspiring and humbling and I appreciate your interest in learning more about food aid.

It is a privilege to provide NAMA's perspective on U.S. food aid programs at one of the most critical junctures in this important humanitarian program's history.

NAMA is one of the most supportive organizations of both the objectives and effectiveness of export food aid programs at a time when some of our trade competitors are vocally criticizing those programs. In the WTO, our detractors are working to decrease the amount of resources that the U.S. puts into development food aid. The tragic result of this misguided approach will be even greater food insecurity in the world and more frequent and devastating occurrences of food emergencies.

I believe the positive impact of these programs cannot be understated. We currently spend annually about \$1.2 billion on the title II budget of Public Law 480 and our overall budget for food aid has run between \$1.5–2.4 billion per year. That relatively small budget assists about 100 million people in both emergency and development programs carried out by NGOs or Private Voluntary Organizations and the World Food Program. Since the current estimate of malnourished people in the world has grown to 850 million, the problem is not that we're doing too much- We're clearly doing far too little.

Our great agricultural bounty can be used as a powerful force for the good of food insecure people in the world. Development programs carried out using U.S. food aid reduce dependency aid and promote self-reliance. Additionally, they generate a tremendous amount of appreciation and gratitude towards the United States. There is nothing more powerful than a bag of food that says, the gift of the American people on it. We need to recognize that these development programs are an essential part of our national security structure. We are essentially reducing the pool of hopeless and disenfranchised people from whom our adversaries draw. Food aid defines who we are as a country. It is a visible demonstration of U.S. compassion and caring in a world beset with poverty and unrest.

Congress clearly cares about putting forth this positive image of the U.S. and that's why they have required that 75 percent of the title II budget is to be spent on non-emergency food programs. Unfortunately, in recent years, title II has been used overwhelmingly for emergencies, a concept that appeals to both budget watchers and others. Everyone agrees that the U.S. should be in a position to lead the interventions in situations such as the current crisis in Darfur. However, food aid reaches its peak effect as a means to create development that will prevent such emergencies. We worry that our ability to thwart future emergencies and fight chronic hunger is diminished without deeply rooted, long-term assistance programs in place.

We can do more and we can do a better job of delivering relief to hungry people around the world. Food aid budgets need to be predictable and big enough to make a real dent in the number of malnourished people around the world, to improve education levels and help HIV/AIDS remediation. The current appropriations process has yielded inadequate funding up front for global appeals resulting in the need for additional supplemental appropriations and the use of emergency commodities from the Bill Emerson Humanitarian Trust. This piecemeal funding process does not allow for long term planning and forces programs to be cancelled and recipients dropped. We want to work with Congress and other stakeholders leading up to the 2007 Farm Bill so that future funding can be more predictable and stable.

Predictability and stability can have a positive impact on the entire food aid chain. USDA and USAID could then incorporate streamlined purchasing procedures that mirror both current commercial and U.S. military procurement practices to reduce costs.

The producer and grower communities support increasing efficiency in U.S. food aid programs and USAID has begun to innovate. USAID began a pilot project in September of 2004 to warehouse highly nutritious, processed U.S. commodities with easy access to the areas of the globe that are at greatest risk for future emergencies. It has been an overwhelming success. The pre-positioning program enabled the U.S. to deliver food aid to Tsunami victims within hours of that tragedy occurring. This program can be expanded to warehouse more commodities in locations where they can be called upon in emergencies without delay. This is particularly important, since U.S. processed and fortified products are significantly more nutritious than food available in most regions, or bulk commodities that must be further processed and fortified to be useful.

The hallmark of U.S. food aid programs is that they deliver high quality and highly nutritious products to people in need. It is a mistake to use U.S. tax dollars to purchase products overseas when our products can be put in place to address emergencies. American producers, suppliers and shipping companies should benefit from the U.S. contribution to fighting global hunger.

The detractors of U.S. food aid programs have attempted to put the U.S. on the defensive, calling our humanitarian food aid an export subsidy and suggesting that we should provide cash, instead of food. As one of the supportive constituencies of food aid, we think the win-win nature of U.S. food aid is the reason the U.S. is pro-

viding nearly 50 percent of the global food aid needs. Food aid enjoys widespread support in the U.S. in part because the U.S. public has concerns that cash donations can be misused and lack the same level of transparency as food donations. The U.S. Congress must vocally defend the legitimacy of our food aid programs. The world desperately needs U.S. food aid and it is our right to provide aid in the form of food instead of cash. Our colleagues in the WTO should not restrict our humanitarian efforts but should be challenged to match them.

STATEMENT OF BART RUTH

Good morning, Mr. Chairman, and Members of the Committee. I am Bart Ruth, a soybean and corn farmer from Rising City, Nebraska. I am a Past President of the American Soybean Association, which represents 25,000 producer members on national issues of importance to all U.S. soybean farmers. ASA appreciates the opportunity to appear before you today.

We commend you, Mr. Chairman, for holding this hearing to review the issues surrounding food assistance today. These issues have changed in the past few years, as have our strategies for addressing them. I would like to first present a brief overview of the current situation, and then comment on soybean participation in the programs and our future plans.

OVERVIEW AND BACKGROUND

American soybean growers have been actively participating in U.S. food aid programs for several decades. We participate in both USAID and USDA emergency and non-emergency programs. Typical soybean products used in food aid are corn-soy blend, vegetable oil, soybeans and meal, and soy and flour blends. In FY04, total value of soybean products used in all food aid programs amounted to approximately \$341 million.

We believe that in the last few years a shift in mentality regarding food aid has occurred. U.S. food programs shifted from large scale surplus disposal programs to nutrition oriented, customer-oriented, culturally appropriate food donations. We applaud this movement, and have been on the forefront of developing highly nutritious protein rich products. We feel strongly that sustainable solutions to world hunger are extremely important and we recognize that local access to products is an important part of sustainability. In the last three years, in addition to abovementioned products, we also provide soy protein products which can be easily blended with local foods, require no additional processing, are quick cooking and contain between 50 and 90 percent soy protein. We believe that in countries where access to traditional sources of protein is often not possible, soy serves as an ideal vegetable protein to supplement otherwise protein-poor diet. There is also no question that protein plays a key role, alongside calories, in prolonging life of those suffering from chronic infectious diseases. It is especially important to provide protein and calorie rich food to those receiving anti-retroviral medications, in order for the medicines to be effective.

So how does our vision of supplying healthy protein to the recipient-countries match existing food aid programs?

In the last 3 years it has become increasingly difficult to provide food through non-emergency programs. The funding for USAID title II program has gone down from \$ 441.1 million for non-emergency programs in fiscal year 2003 to \$292 million in fiscal year 2005. Much of those cuts can be explained by shifts to emergency programs without any additional funding to fill in the gaps. The reductions in non-emergency funding have detrimental effects on projects we have with the Private Voluntary Organizations. We have to interrupt trials, and are unable to start approved programs aimed at improving nutrition because money has been shifted elsewhere.

USDA's programs have also suffered from budget cuts. McGovern-Dole Food for Education program experienced drastic cuts starting in fiscal year 2004. Food for Progress program is very flexible and easy to use, but is limited in tonnage due to caps on transportation costs. Funding fluctuations make it very difficult to conduct meaningful multi-year programs, especially when conducting trials of food impact on vulnerable populations and those infected with HIV/AIDS. Yet, USDA programs are most receptive to the concept of nutrition, with 1340 metric tons of textured soy protein approved for fiscal year 2006 under McGovern-Dole, and 4,870 metric tons of protein programmed for all USDA programs in fiscal year 2005.

Non-emergency programs are critical to our vision of aid to the developing world. While emergencies need to be addressed, the development programs focus on im-

proving overall health and nutritional status of the population. That means prolonged life, and prolonged ability to work. In countries devastated by AIDS many will not receive any form of medical treatment, and food may be the only means of keeping up the productive cycle of an individual.

If we abandon non-emergency food assistance now, we may never be able to alleviate the HIV/AIDS crisis in many countries. Even though the President's Initiative for HIV/AIDS is well-intentioned and has potential to alleviate suffering, many caregivers on the front lines of the struggle report a huge need for proper nutrition that can sustain a viable immune system.

Furthermore, there are external threats to the U.S. food aid programs. Several countries, who have moved to cash assistance programs themselves, insist that the United States do the same. We are strongly opposed to cash-only grants partly because not only will we be exposing large amounts of cash to potentially corrupt government officials in the recipient countries. Another reason for our opposition to cash grants is that, in the tight budget situation, the U.S. Government, even with best intentions, may not be able to provide enough cash to meet the needs.

FUTURE OF OUR FOOD AID PROGRAMS:

In the face of domestic and international challenges to food aid, how can we improve the current programs? We need to:

- continue focus on nutrition as opposed to surplus disposal;
- improve the flexibility of non-emergency programs to allow for easier implementation of test trials which determine which food works best and whether it affects growth, weight, and nutritional status;
- provide food to augment medical treatment of people suffering from chronic infectious diseases;
- continue public-private partnerships where U.S. commodity organizations can enter into relationships not only with PVOs but also with private sector in recipient countries to create nutritional feeding programs and/or small-scale commercial projects which simultaneously raise the nutritional profile of the population.

Let me tell you briefly how the American Soybean Association developed its approach towards food aid in the last few years, with the above goals in mind. For decades, the American Soybean Association and U.S. soybean farmers have been leaders in world market development and have been strong partners with U.S. Government agencies. Six years ago, U.S. soybean farmers strategically decided to find new and improved ways to serve and assist the least developed countries. Most of our previous work has been done in areas of the world that have the ability to make commercial purchases. As we reviewed the world's populations and looked at growth over the next 40 years, it became apparent that we needed some new strategies. With 850 million chronically undernourished today, and with almost 90 percent of the population growth over the next 40 years coming from developing countries we decided to put a portion of our efforts and investments in the World Initiative for Soy in Human Health (WISHH) program.

Our goal is to balance long term market development with current humanitarian needs. Our desire to assist PVOs, NGOs and Government agencies with sustainable nutrition programs that work well in their economic development schemes.

Emergency food aid will likely always be needed to alleviate immediate needs and suffering, beyond that, new approaches and dependable programs based on sustainable solutions must be implemented. A quick view of the world would indicate that both of these approaches are under funded today and need massive participation by many partners world wide. We applaud the committee for reviewing food aid needs and approaches; U.S. soybean farmers commit that we will continue to partner with the U.S. Government in innovative approaches to balance immediate food aid needs with sustainable development for our future customers.

STATEMENT OF JOHN LESTINGI

Good morning, Mr. Chairman and Members of the subcommittee. Thank you for this opportunity to testify today with regard to food aid programs.

My name is John Lestingi and I am vice president of the Rice Company. The Rice Company provides end delivery service for agricultural commodities on a world-wide basis. We participate in U.S. food aid programs by providing commodities, including rice that is processed at our handling facilities and rice mills in Arkansas and Louisiana. We also provide shipping services for food aid cargoes.

My testimony today is on behalf of the US Rice Producers Association (USRPA), which represents U.S. rice growers and the USA Rice Federation, which represents U.S. rice growers, millers, merchants, exporters and allied industries. Rice is grown in seven states including Arkansas, California, Louisiana, Mississippi, Missouri, Texas, and Florida.

The U.S. rice industry supports a sound food aid policy and meaningful funding levels for it. The United States has a long and proud tradition of meeting the emergency and developmental food aid needs of people across the globe. U.S. food aid allows our producers the ability to share the bounty of U.S. agriculture with those in need. We believe U.S. food aid policies and programs serve the needs of foreign recipients, U.S. agriculture, and the policy objectives of the United States.

RICE USE IN FOOD AID

U.S. rice is used in the Food for Peace Programs (P.L. 480 title I and title II), the Food for Progress Program, the McGovern-Dole International Food for Education and Child Nutrition Program, the 416(b) Program, and the Bill Emerson Humanitarian Trust.

In fiscal year 2004, U.S. rice exports used for food aid amounted to 205,500 metric tons valued at \$69.5 million for all food aid programs. Also, since fiscal year 2003, the U.S. rice industry has been able to use fortified rice in food aid sales. Specifically, this has resulted in sales of approximately 29,000 metric tons of fortified rice to the Philippines through the Food for Peace title I program.

NUTRITIONAL VALUE

Rice is an ideal food aid product. It is nutrient-dense, providing complex carbohydrates and over 15 essential nutrients to the diet, with just over 100 calories in a half-cup serving.

Cultivated in more than 100 countries and on every continent except Antarctica, rice is a primary staple for more than half the world's population.

An important property of rice as a food source is its ease of digestibility, particularly for high-risk populations such as HIV/AIDS patients and others, which have impaired digestive systems and a lower utilization of food nutrients that leads to malnutrition. This digestibility characteristic makes rice increasingly important for meeting the food aid needs of people in many of the world's developing countries that are suffering from malnutrition and disease.

In addition, rice provides:

- More than 25 percent of the developing world's per capita energy (calorie) consumption;
- Twenty percent of the dietary protein intake in the developing world;
- A source of vitamins and minerals, including the B vitamins, thiamin and niacin;
- A low probability of allergic reaction; and
- An easy to prepare and transport food source.

Also, rice is 8 percent protein and rich in complex carbohydrates. Furthermore, as a highly-nutritious and healthy food source in general, recent research suggests that U.S. consumers who eat rice have healthier diets and that including rice as part of a healthy, balanced diet can be linked to overall healthier eating patterns. Rice can:

- help consumers attain a healthy weight, be well nourished, and physically active; and
- complement and partner with other nutritious foods, like vegetables, beans, fish, lean meat and poultry for a well-balanced diet.

FOOD AID PROGRAMS AND FUNDING

Mr. Chairman, we strongly support meaningful funding for U.S. food aid programs. The U.S. role as a compassionate world leader is enhanced by food aid, and U.S. food aid programs reflect the generosity of U.S. agriculture.

The funding levels for the various U.S. food aid programs are also supportive of our domestic and foreign policy objectives. For these reasons, we have strongly supported maintaining P.L. 480 title I funds and \$2 billion in fiscal year 2006 funding for the P.L. 480 title II Program. The rice industry is the largest user of P.L. 480 title I program. We support food aid authorization levels that enable effective funding levels through annual appropriations.

We are very appreciative of the efforts of this subcommittee during the 2002 farm bill debate to improve the food aid programs and increase funding authorizations and minimum purchase levels. Specifically, the funding caps for transportation and administration were increased in the Food for Progress program and a minimum level of commodities to be purchased was established.

For the Food for Peace program, the 2002 farm bill made improvements in shipping, transportation, and handling of U.S. commodities to developing countries and streamlined the program management. The legislation increased the minimum amount of commodities to be purchased to a more reasonable level given the demands on the program.

The Bill Emerson Humanitarian Trust, a food reserve managed by USDA, is authorized to hold up to 4 million metric tons of U.S. rice, wheat, corn, and sorghum. Currently, the trust is holding 1.4 million metric tons of wheat and \$89 million in cash, which can be used to purchase commodities not in the trust. Mr. Chairman, we would encourage USDA to make full use of this food aid tool as unanticipated emergency needs arise by purchasing U.S. rice for emergency humanitarian food needs. The last release from the trust was in December of 2004.

One concern we have is the proposal in the administration's fiscal year 2006 budget proposal to shift \$300 million of P.L. 480 title II funding to the U.S. Agency for International Development (USAID) from the U.S. Department of Agriculture. We believe this funding should remain with USDA.

Under the administration's proposal, USAID could use the funding to purchase commodities other than U.S. sourced to provide as food aid. We believe this would be the wrong precedent to set in food aid policy and would send the wrong message to America's farmers if our government starts purchasing foreign commodities for food aid purposes.

We appreciate the U.S. House of Representatives approving the fiscal year 2006 Agriculture Appropriations bill that would maintain the funding at USDA rather than USAID. We encourage you and your colleagues to ensure this is maintained as the appropriations process moves forward this year.

We strongly supported \$470 million in fiscal year 2005 emergency food aid to tsunami victims and other hungry and malnourished victims of natural disasters, war and similar catastrophes. We understand the many demands for additional fiscal year 2005 funding, which limited how much could be made available for food aid, and we appreciate the \$240 million provided by Congress as part of the fiscal year 2005 emergency supplemental appropriations bill.

Recently, our organizations cosigned a food aid coalition letter to House and Senate Appropriations Committees with regard to our proposed funding and policy levels for the next fiscal year. A copy of that letter is attached as part of our testimony. The coalition letter gives specific funding recommendations for the various food aid programs. From an authorization perspective, the letter identifies the important food aid programs that should be continued.

FOOD AID AND WTO NEGOTIATIONS

The U.S. rice industry's objective in the World Trade Organization (WTO) Doha Development Round is to ensure that any new rules permit the U.S. to continue to provide food aid through P.L. 480, title I. The industry is working to develop options for new disciplines that would continue to allow concessional sales as well as donations while guarding against the displacement of commercial shipments.

We are also concerned about any new rules that would require food aid to be provided in the form of cash grants or exclusively through international organizations. We see no benefit towards strengthening global food security from either proposal, and any mandated requirement that food aid be provided exclusively as cash would undercut the strong support within agriculture for food aid.

Trade negotiators should proceed with caution in order to avoid creating rules that inadvertently discourage countries from providing necessary assistance. Some food aid recipient countries have expressed concern about the possible effect of new disciplines on food aid. The goal of negotiations should be to develop a set of rules aimed at preventing the displacement of commercial sales by concessional food aid shipments.

As active participants in the food aid coalition, the rice industry looks forward to continuing to work with you and Members of the subcommittee on food aid issues. Please let us know if we can provide the subcommittee with any additional information.

Thank you for the opportunity to testify today and I would be happy to answer any questions.

STATEMENT OF BARBARA SPANGLER

Mr. Chairman and honorable committee members, thank you for the opportunity to present the views of the U.S. wheat producer organizations. Food aid and U.S. wheat have been intertwined for decades, so you will understand that our pride in America's generosity—and our concern about food aid shortfalls—runs deep.

Before I explain our positions on several issues regarding food aid, I'd like to give some background perspective, especially for the newer members of this committee.

Wheat has historically been an integral part of food aid

During World War II, the United States was a net importer of wheat and feed grains. The American farmer began building up production after 1944, and the wheat supply situation was transformed from acute shortages to burdensome supplies by the early 1950's. Those supplies supported the development of two programs that almost came of age together: formal export market development, and the food aid programs.

From the very beginning of Food for Peace, American wheat producers took great pride in the fact that their wheat was saving lives overseas. In 1960 Clifford Hope, the chairman of one of the export market development organizations, reported to state wheat organizations that from the time that countries came to Joseph in the Book of Genesis for wheat during the famine "until the present, there has never been a transaction involving grain to equal the one consummated last week by President Eisenhower and Food Minister Patil of India when they signed an agreement for the transfer to India, over a four-year period, of 387 million bushels of wheat and 22 million bags of rice." (397 million bushels is just a little less than one-fifth of total U.S. wheat production forecasted for this year.)

Mr. Hope explained that "the transaction will not only provide badly needed food for the people of India, including the establishment of reserves, but will strengthen the country by providing capital for economic and industrial development. It will make for political stability and peace in an important part of the world..."

I would suggest that India—and the world—is still benefiting from that and other food aid donations. But when today's policy makers make food aid decisions, they often think in terms of five year plans and exit strategies. Fortunately, recipients often have a longer view; in fact, many have long memories that serve America well.

For instance, Taiwan is among the most loyal commercial customers of U.S. wheat, giving us a 96 percent market share. But at one point they were a food aid country. A couple of years ago, an official from one of Taiwan's largest mills gave us his insight: "I remember years ago, when Taiwan was still very poor, being very grateful when our family received flour donated from the United States. When Canadians and Australians ask why Taiwan doesn't buy more of their wheat I ask them: 'What have you invested in our country?'"

CURRENT CONCERNS OF THE U.S. WHEAT INDUSTRY

U.S. food aid IS an investment. We are investing in the recipient country's future, both in the humanitarian and in the business sense. We are investing in the future relationships between the U.S. and the recipient country. And we are investing in the greater regional and global security that accompanies growing prosperity and stronger private industries that are helped by donations of U.S. wheat and other commodities.

Because the positive results from food aid investment are so evident, looking at the long term, it is puzzling to see the U.S. government slashing the levels of funding for food aid and, in fact, contemplating cutting the U.S. farm commodities out of the picture.

FOOD AID APPROPRIATIONS SHOULD BE INCREASED

The cuts in food aid, especially when agreements between the government and humanitarian organizations are ignored or discarded, are shortsighted and counterproductive. The U.S. needs to provide a steady level of food aid, every year, on which the international humanitarian community can rely. At a minimum, food donations should total at least 6 million metric tons annually. Further, the U.S. needs to provide a minimum of 3 MMT of wheat donations to countries that rely on bread and other wheat foods for daily sustenance.

USDA SHOULD REGAIN LEADING JURISDICTION OF FOOD AID PROGRAMS

We are greatly concerned about the shift from USDA to USAID in the administration of the majority of food aid agreements. USDA has the technical expertise, administrative experience, and the willingness to partner with commodity organiza-

tions, especially in ensuring that commodity specifications result in recipient countries receiving the appropriate wheat qualities for use in their wheat food products. Unfortunately, we do not find that expertise or focus within USAID, and so we urge Congress to re-examine the allocation of responsibilities and reassign to USDA jurisdiction on food aid decisions.

FOOD AID SHOULD NOT INTERFERE WITH COMMERCIAL MARKETS

The U.S. wheat industry acknowledges the concerns expressed by our global partners, that food aid not interfere with commercial markets. We, too, would rather make sales when economies are prosperous and industries are thriving. We suggest that the implementation of U.S. food aid programs could be improved if government agencies sought commercial advice on which—if any—food aid programs are appropriate in each country so as not to interfere with U.S. commercial activities. We agree that we may need better documentation to confirm that the aid is not interfering with local commercial markets in the countries to which aid is given. Additionally, we support efforts to more clearly differentiate humanitarian aid from market development programs, and making the programs more transparent to our domestic audiences as well as to our trading partners and countries that need assistance.

THE U.S. EEDS TO DEFEND U.S. FOOD AID PROGRAMS IN THE WORLD TRADE ORGANIZATION DOHA NEGOTIATIONS

We are keenly aware of efforts by our global partners to dismantle the U.S. food aid program using stipulations in the WTO Doha negotiations. We greatly appreciate the continued efforts of our WTO negotiators to defend U.S. food aid programs. The current draft language on food aid proposes ending commodity donations for cash only and makes no provision for country to country donations. It must remain a country's right to maintain humanitarian programs that meet recipient countries' needs and to be able to respond directly to these needs. However, we support the need for greater transparency and rules to prohibit disruption of commercial markets.

We aren't the only ones who oppose efforts to largely restrict food aid to cash grants. The head of the UN World Food Program (WFP) recently warned WTO delegates from developing countries that improperly drafted new rules on food aid could contribute to hunger in the world's poorest countries. According to Bridges Weekly Trade News Digest, James Morris said that the WFP was "absolutely opposed" to limiting food aid to cash, since this may dissuade countries—especially developing ones such as India—from making legitimate in-kind donations.

Morris reportedly "questioned the need for disciplines on food aid at a time when overall food donations are dropping, citing WFP statistics showing that food aid in 2004 amounted to 7.5 million metric tons—a 30 percent drop from the year before, and half the 1999 level. The number of chronically hungry people has increased to 852 million. Arguing that food aid now accounts for only 0.3 percent of worldwide cereals production, Morris said that food aid should be judged according to its end use, as opposed to whether or not it is surplus. He also urged donor countries to increase food aid back to the 11 million tonne mark it was at in 2001."

CONGRESS SHOULD REBUFF ATTEMPTS TO DISMANTLE COMMODITY DONATION PROGRAMS

We were dismayed that the administration is contemplating the very provisions that we are fighting against in the Doha negotiations to replace food donations with cash assistance. This year's budget proposal to switch \$300 million from U.S. commodity purchases to a cash program appears to contradict everything that the U.S. is trying to accomplish with its public diplomacy initiatives. Will some future industrialist, in a current developing country that will eventually be a commercial trading partner, even know that the American taxpayer paid to send cheaper Kazakhstan wheat as U.S. food aid?

The official explanation for dismantling commodity donations and using cash instead is that the "change is intended to expedite the response to emergencies overseas by allowing food aid commodities to be purchased in markets closer to their final destination while increasing the total amount of commodities that can be procured for emergency response."

That means that, with money now being placed in the USAID account, commodities would not have to be sourced from the United States, as they are currently when the funds are held in the USDA account.

After five decades of seeing their good U.S. wheat going to food aid, American wheat farmers would now be asked to stand aside and watch as the U.S. govern-

ment purchases wheat from our competitors. But even watching the U.S. government buying Australian or French wheat isn't as bad as the next scenario. Under this budget request, Food for Peace may not even include food.

USE BILL EMERSON HUMANITARIAN TRUST WHEAT WHEN NECESSARY TO SAVE LIVES

The Bill Emerson Humanitarian Trust (BEHT) was established to maintain the continuity of the food aid programs during times of tight supplies and high commodity prices. These conditions do not apply at this time. Rather, the

U.S. aid programs are severely underfunded, causing imminent breaks in the supply pipelines. We cannot stand by knowing that innocent people are suffering when good wheat, owned by the U.S. government, is available for donation. We therefore support the use of wheat held in the Emerson Trust to respond to dire and immediate humanitarian needs. Note, however, that the U.S. wheat industry has long opposed selling BEHT on the domestic market as a means of funding the purchases of other commodities. These sales distort our own domestic market. We strongly urge that the BEHT wheat be used in the appropriate food aid programs.

REPLENISH THE BILL EMERSON HUMANITARIAN TRUST

The U.S. wheat industry urges administration and congressional leaders to ensure that the Bill Emerson Humanitarian Trust be replenished with wheat stocks, especially in view of escalating food aid needs. Prompt replenishment of the wheat that has been donated will send a signal that the U.S. is serious about maintaining this program in a way that allows the U.S. to respond to emergency food needs when and where they occur.

KEEP AGRICULTURE INVOLVED

Farmers all around the world are trying to answer the cries of hunger, and are doing their best to produce the most food that they can. Most farmers in the world don't expect to become rich by what they are doing. They are simply trying to provide for their families, their communities, and their markets. And if America is lucky enough with harvests to be able to provide humanitarian assistance to a country that is struggling, because of war or weather or economic troubles, we must not have international trade rules that prohibit our humanitarian response.

There are, to be sure, some things we can do better in our food aid programs, and I'm confident we will.

Our donation programs need to be more consistent from year to year, and they should be non-commodity specific. That is, a country that needs food aid should not have to beg, nor to wait and wonder, nor should they be given a commodity they do not need. (Consistent amounts—during good crop years and bad—would also serve to counter accusations by the EU that the U.S. is merely trying to reduce abundant supplies.)

All food aid programs around the world should be more transparent, more responsive, and more inclusive. We need to honor the commitments we make, and do the things that are necessary to convey the true American dedication to being a friend in need. In short, we need to recommit our government to adequate and appropriate food aid.

STATEMENT OF OXFAM AMERICA

Thank you Mr. Chairman and members of the Subcommittee; it is Oxfam America's pleasure to provide our perspective on US food aid programs during this critical time.

Oxfam believes that food aid can, sometimes, be essential to humanitarian response. However, for many development and humanitarian needs, food aid is not an appropriate or efficient tool. Even in most emergencies, in-kind food aid often fails to improve access to food due to delays in delivery, as well as mismatches between recipient needs and the commodities donated.

While more than 850 million people suffer chronic malnutrition, many food aid resources are wasted due to inefficiencies, policy obstacles, and poor targeting. Actually, food aid is often not provided at the right time, the right place, or in sufficient quantities. And donor response consistently falls short of emergency appeals by the World Food Program.

The right to food is enshrined in numerous international instruments, including the Universal Declaration on Human Rights, the International Covenant on Economic, Social and Cultural Rights, and many others. However, fulfilling the right

to food is not as simple as redistributing food from countries producing surpluses to countries in deficit. In crisis conditions, such as during wars or following natural disasters, in-kind food aid can be an essential tool. But too often food aid is not provided at the right time, at the right place, or in sufficient quantities. Despite great need, global food aid flows actually declined during the 1990's from a peak of 17 metric tons in 1993 to 11 metric tons in 2001. In most years, donors fail to fulfill the World Food Program's emergency appeals for assistance, providing an average of 85 per cent of requested food aid.

This does not mean that a major increase in in-kind food aid from abroad is the solution. Different situations call for different types of aid, and in many instances where food aid is desirable, cash donations are better than in-kind donations, as they allow food aid to be purchased locally and delivered more quickly and cheaply. It is therefore crucial to evaluate what type of food aid is needed, along with the appropriate timing and duration of its delivery. For example in the case of the recent tsunami which devastated the coasts of Indonesia, Sri Lanka, and other countries in Southeast Asia, the nature of the crisis has been such that donations in cash are more appropriate than shipping in-kind food aid from afar.

In non-emergency situations, shipping in-kind food aid across the world to meet development needs is usually not an ideal—or even a good—strategy for promoting development or for fighting hunger. Careful assessment of the root causes of hunger is necessary before resorting to food aid. In most cases, poverty or lack of income generation is the underlying cause of chronic hunger. Providing food aid is not likely to help those affected over the long term, without also providing support for improving livelihoods. Likewise, at a country level, providing food aid to resolve immediate balance-of-payment problems is a short term solution to a broader issue. Criticisms have been leveled at US food aid programs, in connection with issues of efficiency, effectiveness, and targeting. The USA is the only major donor to sell food aid to developing countries, rather than providing it exclusively in grant form. The USA is also the only major donor to disburse a large proportion of its food aid on a bilateral basis, rather than channeling it through international organizations such as the World Food Program. Although the USA provides a majority of the World Food Program's resources, its donations are almost entirely in-kind rather than in cash. Other countries provide cash which the World Food Program can use to source and distribute food commodities close to where they are needed. The U.S. food aid system creates opportunities for a variety of private interests to skim off benefits in the procurement, packaging, transportation, and distribution of commodities. Many inefficiencies result from the US insistence on sending commodities for food aid. For example, the US government requests bids for sales of surplus agricultural commodities from a limited list of pre-qualified US-based agribusiness companies, and arranges the transportation of these commodities from the USA to recipient countries on US-flagged ships. The bidding process results in purchase and transportation expenses that are substantially higher than market costs.

The greatest concern around food aid is the possibility that it can undermine the livelihoods of poor farmers by creating disincentives for local food producers, by flooding markets and depressing prices. Substantial volumes of food aid provided over a long-term basis could discourage local production, result in increased poverty, and create long-term food insecurity due to increased dependence on food imports. Regenerating agricultural production and local markets is central to any strategy for longer-term recovery and development.

At the local level, there are numerous cases where producers report falling prices and market displacement as a result of an influx of food aid commodities. For instance, in 2002 and 2003 food aid donors over-reacted to a projected 600,000 ton food deficit in Malawi, and sent close to 600,000 tons of food in aid. However, commercial and informal importers brought in an additional 350,000–500,000 tons. Malawi was flooded and had very large carry-over stocks. Maize prices dropped from \$250 per ton to \$100 per ton in the course of a year. Local production of maize, cassava, and rice fell markedly, and estimated losses to the Malawian economy were approximately \$15 million.

There is strong evidence that food aid displaces commercial imports in recipient countries. In markets that are relatively open, food aid imports result in the displacement of other commercial imports. Demand is therefore reduced for commercial imports. In regions with well-integrated agricultural markets, displacing commercial imports can simply transfer a balance-of-payments problem, and poverty, from one developing country to another. In the 1990's, for example, Guyanese rice producers found an important export market in Jamaica, which grows little rice itself. Rice exports from Guyana to Jamaica grew from 7,700 tons in 1994 to 57,700 tons in 1997. However Guyanese rice exporters found themselves facing intense competition from large volumes of US food aid rice, which began pouring into Jamaica in com-

parable amounts at the same time. As a result, Guyanese exporters were forced to look for other markets for their rice and many producers faced ruin.

Public Law 480 was meant to boost food security. It was supposed to assist in the elimination of poverty, not in creating it. And we have seen a direct effect whereby in the process of eliminating poverty (in one place), we have poverty being created in another region. Dharankumar Seeraj, General Secretary of the Guyana Rice Producers Association.

By displacing imports, food aid deprives agricultural exporters of market opportunities. Since many developing countries are agricultural exporters, the development aspect of this issue is significant. Regional integration between neighboring developing countries, as in the case of Guyana and Jamaica, is an important economic goal in strengthening developing country economies and encouraging growth. However, by displacing export opportunities, food aid can impede this kind of integration.

A key concern for many WTO members is that food aid can be used as a convenient way to dispose of surpluses and to circumvent disciplines on export subsidization. US agricultural industry groups often consider food aid as a means of surplus disposal and market expansion.

The USA produces only about 1.5 per cent of the world's rice, but is the fourth largest exporter. Between 50 and 60 per cent of all US rice production is exported. As domestic consumption of rice has stagnated over the past decade, US rice producers have increasingly relied on export markets to dispose of rising production yields. When those markets have not been available, the US rice industry has frequently turned to food aid programs as a buyer of surplus rice production. From 1997–98 to 2004–05, rice exports under food aid programs have accounted for an average of 10 per cent of US rice exports. In years when prices are low, food aid represents as much as 20 per cent of rice exports. Another example: Over the 50 year history of US food aid, there is a close positive correlation between year-end carry-over stocks of wheat and US food aid flows. When US farmers produced bumper crops of wheat, food aid donations increased in the following year. The fact that food aid flows tend to follow surpluses reflects the fact that most food aid programs have their origins in domestic agriculture policy.

The historical record of food aid distribution certainly indicates motives other than those of addressing hunger and sustainable development. In 1992–93 and again in 1998–99 the USA made massive shipments of food aid to Russia. However, Russia is not a poor country by global standards and, by most nutritional measures, hunger was not a serious concern. The more relevant factors were declining US commodity prices, bumper crops, election-year politics, and a geopolitical interest in supporting the Russian government at the time. The USDA's Economic Research Service acknowledges that allocations (of food aid) to individual countries do not always correspond to levels of need.

As much as 90 per cent of food aid donations are made in the form of food commodities purchased from donor countries. There is little humanitarian or development justification for donating in commodities rather than in cash. Indeed, there are strong arguments to the contrary.

First, cash is almost always faster. In humanitarian emergencies, where weeks or even days can mean the difference between life and death, there is no excuse for delay. And yet much food aid is tied to purchase and shipment from donor countries. It can take months from the date of a procurement order for food aid to be delivered to port. US emergency shipments experienced a median lag of nearly five months in 1999–2000, due to bureaucracy and cumbersome procurement restrictions— and, of course, the need to ship food over long distances. By contrast, cash can be used to procure food locally or regionally, in close proximity to the places it is needed. In most cases (though not all), purchasing food closer to its intended destination reduces the time delay. Cash gives decision-makers more flexibility in addressing emergencies.

Second, cash is cheaper. The inefficiency of sending food over long distances, often with restrictive procurement and shipping requirements, means that funds are spent on bureaucracy, process, and shipping rather than on the food and its distribution. In fact, according to a study by the OECD, shipping food from donor countries is 33 per cent more expensive than buying it from a third-party country (usually closer to the destination) and 46 per cent more expensive than buying it locally in the destination country. Oxfam believes that food aid can be essential to humanitarian response. However, food aid cannot be a substitute for sustainable development, which is the best way to reduce hunger for the more than 850 million people who are still suffering from chronic malnutrition. For many development and humanitarian needs, food aid is not an appropriate or efficient tool. In particular, in-kind food aid often fails to improve access to food due to delays in delivery and

monetization, and mismatches between recipient needs and the commodities donated.

Improving the livelihoods of poor rural and urban populations and fostering agricultural growth in developing countries are essential to reducing hunger. The Doha Development Round offers a unique chance to address these issues by eliminating dumping, protecting vulnerable farm sectors in developing countries, providing new market opportunities for developing countries, and implementing the Marrakesh Decision to provide compensatory financing for poor food-importing countries in case food prices rise as a result of trade liberalization.

Thank you for this opportunity to submit comments for the June, 16, 2005 hearing record on food aid

