



Ship Storm

There may be valid reasons to question the wisdom of reforming U.S. food aid. But saving the Merchant Marine isn't one of them.

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The lines in the fight to fix America's broken food aid programs have been drawn upon clear and understandable lines. In the pro-reform camp we seem to have major editorial boards, including the *Washington Post*, *Chicago Tribune*, and *New York Times*. Think tanks across the political spectrum, including the Heritage Foundation, the CATO Institute, the American Enterprise Institute, and the Center for Global Development have also been unusually non-partisan in lining up to support the reforms advocated by the Obama administration. Major humanitarian organizations, including Oxfam, Care, and Save the Children have also been outspoken advocates for reform. In short, anyone who has taken a serious look at the issue seems to agree that the current system for delivering food aid is just this side of crazy.

In a nutshell, these reforms would make food aid more flexible and efficient by purchasing a higher percentage of food aid closer to where it is actually needed. Currently, the overwhelming majority of food for U.S. government relief programs is purchased in the United States and then shipped thousands of miles overseas, often at great cost. The current system is great for large agribusiness concerns and shippers but not for American taxpayers or people in need. Most other donors procure food through local and regional systems, and more than half of every dollar spent on U.S. food programs currently goes to shipping and transportation costs rather than lifesaving food.

The opponents of food-aid reform consist of two main groups: 1) maritime companies and food-processing firms that are enriching themselves off of the current pork-barrel approach to delivering food aid; and, 2) timid members of Congress who worry about getting crossways with these shippers and Big Ag.

The arguments against reforming food aid from the maritime industry are perhaps the most risible. A February letter from the American Maritime Congress and other vested interests argued that the current food aid system should not be changed because it "provides support for our U.S. Merchant Marine" and is "essential to our national defense sealift capability."

Readers can be forgiven for not understanding what exactly the U.S. food aid program has to do with America's national defense sealift capability. The explanation rests in

legislation that is now close to 60 years old. A 1954 law on cargo preference mandated that the majority of U.S. food aid commodities be shipped aboard U.S.-flagged vessels, i.e. ships registered in the United States.

The law was a reasonable Cold War policy originally meant to ensure that additional ships and their naval crews were available during times of war. From that good intention came a six-decade entitlement for U.S. shippers with zero military value. There has been no documented call-up of citizen mariners for national security purposes from agricultural cargo preference vessels since the program began. If we did not need this capacity in such major land wars as Vietnam, Iraq, or Afghanistan, it is frankly impossible to imagine when we would.

The Department of Defense has been blunt in saying that it doesn't need cargo preference to keep a stand-by fleet at the ready. A 1994 GAO report concluded, "The application of cargo preference to food aid programs does not contribute to meeting the intended objectives of helping to maintain US-flag ships as a naval and military auxiliary." Congress, never one to avoid foisting things on the Pentagon it doesn't need, (see the long battle to kill the second F-35 engine), left the cargo preference programs in place.

Yet, as Chris Barrett of Cornell has pointed out, this is an incredibly inefficient subsidy. "The cost of maintaining this untapped pool of roughly 1,400 mariners on agricultural cargo preference vessels in fiscal year 2006 amounted to approximately \$99,300 per mariner," he writes. In short, the United States is paying for a ghost navy of sailors it has never needed, and never will. In supporting the administration's reform proposal, the Pentagon has noted that the only ships affected would be "non-militarily useful."

The other argument from the maritime industry against food-aid reform has been that the food-aid program is vital to the health of the American shipping industry, and that carrying the overwhelming majority of food on U.S. ships helps keep American ships afloat and foreign competition at bay. This would be all well and good if it were not for the farce that is "American flagging." Yes, companies available for favorable treatment under the cargo preference program have to be owned and operated as American vessels by American citizens. But there is one enormous loophole in the law: "American" companies can be subsidiaries of foreign corporations.

Thus, one of the fiercest advocates against food aid reform has been Danish shipping giant Maersk, which has done a masterful job of bending cargo preferences rules to its favor. By Barrett's estimates, at least 40 percent of the cargo shipped through the cargo preference program is being sent on ships whose companies are owned by a foreign entity, rather than an American one, and the actual total may be much higher since the data around what constitutes a U.S.-flagged vessel is so deliberately opaque. The fact that a Danish company is leading the charge to defend rules designed to protect U.S. shippers is really all you need to know about the relative effectiveness of cargo preference.

The actual number of U.S. maritime jobs affected by reforming food aid would be small, in the range of several hundred according to both DoD and USAID. Given that cargo preference adds more than \$100 million to food-aid shipping costs annually, this is a very expensive jobs program indeed.

Congress has all the evidence it needs to do the right thing on food aid. Whether it has sufficient spine is another question entirely.