



Senate Farm Bill: America's Food Aid Program is Broken — Here's Who's Trying to Keep it That Way

By Mike Miesen – June 12th, 2013

America's food aid is a broken, wasteful system that could feed millions more people at zero cost to you. President Obama wants to change this outdated, broken policy, and made plans to do so in his 2014 budget, but a cadre of anxious congressmen and lobbying groups is doing everything it can to obfuscate the issue and stymie meaningful progress.

It's a situation that calls first for disbelief, then confusion, and finally, outrage. Not only does this system take money from your pocket to pay off shipping companies and Big Agriculture, but it does unnecessary harm to the communities it claims to assist. It's a tragic case of rent-seeking getting in the way of — and actively suppressing — humanitarian aims.

The concept of food aid is simple: wealthy countries want to help feed chronically malnourished populations, wherever they live in the world. All of these donor countries — excluding America — simply provide cash to programs that purchase food directly from local farmers, which is then sold through local markets. It's a solution that provides two main benefits: getting food to those that need it and can't afford it, and creating a customer for local farmers to sell to. From the perspective of donor countries, it's a cheap and efficient process.

Most donor countries, that is. Rather than provide cash, America currently provides "in-kind" goods, in the form of crops from the nation's farmers. Which would be fine, if the chronically-underfed populations languished in Topeka, Kanas, or Mobridge, South Dakota. But they don't. They live in Mbale, Uganda, or Hanoi, Vietnam — thousands of miles away.

And so those crops are bought from American farmers by the U.S. government, then sold abroad through non-government organizations, in a process called "monetization"; proceeds from the sales go towards their development programs. Of course, to get from America across the ocean, goods need to be shipped, and the law mandates this be done on U.S. flagged ships (which often are actually under subsidiaries of foreign companies, like the Danish Maersk).

It is one thing to waste American taxpayers' money, and that should make you angry, certainly. But the system also makes the population it purports to help worse off as a whole.

How? Imagine that you're a Senegalese farmer who has just finished the long, hard task of harvesting maize or cassava from your land, using your bare hands and a hoe. You're about to

bring it to the market to sell the spoils of your toil — which you expect to use to feed your family and purchase the seeds and fertilizer to make next year's harvest even larger.

Right as you get to the market, storm clouds brew, the wind howls, and a mixture of maize and cassava begins to pour from the sky. Your potential buyers have no need for your product anymore — they can just pick it up from the ground. Your product is worthless. If you sell anything at all, it'll be for a drastically lower price; to use the jargon of economics, an exogenous supply shock occurred — it's raining staple crops! — but the demand stayed constant, so the price plummets.

You don't care about the language of economics, though; you're more concerned with how you're going to feed your family for the next year.

That's a bit sensationalized. But only a bit! Every crate of American soybeans, wheat, or corn sold significantly distorts the market where it comes ashore, pitting local farmers' products against cheap American goods. It's no contest. The farmer loses big.

If the American way was the *only* way to help under-nourished populations get the food they need to grow and develop, that may be a trade-off worth making. But it's not, of course. Just look to every other donor country for proof.

The food aid reforms touted by the Obama administration are simple: begin stopping this nonsense, by allowing 45% of the \$1.4 billion requested to be given as cash or vouchers to be used in local markets; to ease in the change in, 55% would still be restricted to American farmers and U.S.-flagged ships. Monetization would end, which the Government Accountability Office estimates will save 25 cents on each dollar spent on food aid.

Food should get where it's needed sooner, too; some studies estimate up to 14 weeks faster. And most importantly, each marginal dollar of food aid will go further, meaning that more men, women, and children will cease to go hungry — to the tune of four million, according to USAID Administrator Rajiv Shah.

As John Norris notes at *Foreign Policy*, when the Cato Institute, the Heritage Foundation, the *New York Times*, and the *Washington Post* all agree on an issue, something is up. Either the issue is so trite as to be meaningless, or it's so stupefyingly obvious that a change is necessary that it barely warrants discussion. Hopefully it's clear by now that American food aid policy is the latter.

To be sure, there are legitimate concerns about the *best* way to provide food aid to those in need; for example, is it wiser to give cash or vouchers to those in need? And that's a discussion that's worth having. But no one — save rent-seeking Big Agriculture and weak senators — is arguing for the status quo in American food aid policy.

That's because current food aid is bad food aid that arguably does more harm than good, and inarguably is less efficient than it should be. If our Congress stands up to Big Agriculture and Big Shipping, millions more people may go to bed with a full stomach. It's time to fix American food aid.

