



## CRS Report for Congress

# International Food Aid Provisions of the 2008 Farm Bill

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### Summary

Provision of U.S. agricultural commodities for emergency relief and economic development is the United States' major response to food security problems in developing countries. Title III in the omnibus farm bill enacted in June 2008, the Food, Conservation, and Energy Act of 2008 (P.L. 110-246, H.R. 6124), reauthorizes and makes a number of changes in U.S. international food aid programs.<sup>1</sup> Farm bill debate over U.S. food aid programs focused generally on how to make delivery of food aid more efficient and more effective. While most of the debate focused on P.L. 480 Title II, the largest food aid program, the farm bill trade title also reauthorizes and modifies other, smaller U.S. food aid programs. One of the most contentious issues was that of using appropriated P.L. 480 funds to purchase commodities overseas, rather than U.S. commodities, to respond to emergency food needs. The Bush Administration had asked for this authority in its farm bill proposals, but many, though not all, of the private voluntary organizations and cooperatives that use U.S. commodities for development projects instead argued for a pilot project for local or regional purchases of commodities.

### Introduction

Programs under the Agricultural Trade Development and Assistance Act of 1954, referred to as P.L. 480, historically have been the main vehicles of U.S. international food aid. Title II of P.L. 480, administered by the U.S. Agency for International Development (USAID), is the largest U.S. international food aid program. Title II provides humanitarian donations of U.S. agricultural commodities to respond to emergency food needs or to be used in development projects. Funds available to Title II of P.L. 480 from

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<sup>1</sup> The conference agreement on the 2008 farm bill was originally approved by the House and the Senate as H.R. 2419 and vetoed by the President in May 2008. Both chambers overrode the veto, making the bill law (P.L. 110-234). However, the trade title was inadvertently excluded from the enrolled bill. To remedy the situation, both chambers re-passed the farm bill conference agreement (including the trade title) as H.R. 6124. The President vetoed the measure in June 2008 and both chambers again overrode the veto, which made H.R. 6124 law as P.L. 110-246, and superseded P.L. 110-234.

both regular and supplemental appropriations have averaged \$2 billion annually since enactment of the 2002 farm bill (2002-2007). Over time, however, other, smaller food aid programs, administered by the U.S. Department of Agriculture (USDA), have been authorized by Congress — Food for Progress in 1985, the Bill Emerson Humanitarian Trust in 1998, and the McGovern-Dole International School Feeding and Child Nutrition Program in 2003. For USDA-administered programs, the annual average funding over the 2002 farm bill period has been \$356 million.<sup>2</sup> Most of the farm bill food aid debate focused on P.L. 480 Title II commodity donations.

## **P.L. 480 Food for Peace**

The 2008 farm bill changes the name of the underlying P.L. 480 legislation from Agricultural Trade Development and Assistance Act to Food for Peace Act and deletes export market development as one of the objectives of the programs. This modification of objectives is intended to reflect the approach — de-emphasis of export market development for U.S. agricultural commodities and more emphasis on promoting food security — taken in operating the program in recent years. Issues addressed included policy objectives, funding levels, availability of food aid resources for non-emergency (development) projects, and using local/regional commodity purchases to respond more efficiently and effectively to food crises, among others.

**P.L. 480 Title II.** The 2008 farm bill amends the purposes of the Title II program to clarify that food deficits to be addressed include those resulting from manmade and natural disasters. Recognition that food deficits can be manmade brings the U.S. definition of disaster more in line with the definition used by United Nations agencies such as the World Food Program. The new farm bill adds promotion of food security and support of sound environmental practices to the objectives of Title II commodity donations, and requests that the administrator of USAID brief relevant congressional committees before responding to disasters that result mostly from poorly devised or discriminatory governmental policies. The new farm law also includes a Sense of Congress declaration that in international negotiations the President shall seek commitments of higher levels of food aid from other donors; ensure that food aid implementing organizations be eligible to receive food aid resources based on their own needs assessments; and ensure that options for providing food aid shall not be subject to limitation, on condition that the provision of the food aid is based on needs assessments, avoids disincentive effects to local production and marketing, and is provided in a manner that avoids disincentives to local production and marketing and with minimal potential to disrupt commercial markets. This declaration reflects a concern in Congress with the issue of how Doha Round multilateral trade negotiations on food aid could affect U.S. food aid policy and programs.

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<sup>2</sup> The FY2002-FY2007 average includes commodities provided under Section 416(b) of the Agricultural Act of 1949, another U.S. food aid program vehicle, which is permanent law and does not require legislative reauthorization. Section 416(b) depends entirely on the availability of commodities in Commodity Credit Corporation (CCC) inventories. As CCC inventories have declined so have Section 416 donations. There have been no Section 416(b) donations since FY2006.

**Title II Funding.** The 2008 farm bill extends authorization of P.L. 480 programs through FY2012 and sets the annual authorization level for Title II at \$2.5 billion. This level of funding would be \$500 million more annually than has been provided for Title II under the 2002 farm bill each fiscal year through a combination of regular and supplemental appropriations. But as this authorization is discretionary, it will be up to appropriations bills to set the amount of annual Title II funding. With a view to providing more cash assistance to organizations — private voluntary organizations (PVOs), cooperatives, intergovernmental organizations — that implement Title II food aid programs, the farm bill increases the range of funds available for administrative and distributional expenses to between 7.5% and 13% of funds available each year to the program (appropriations, carry-over, and reimbursements). (The range of available Title II funds for these purposes under the 2002 farm bill was 5% to 10%). Additionally, the 2008 farm bill provides \$4.5 million for FY2009-FY2011 to study and improve food aid quality (e.g., eliminate spoilage).

**Minimum Volume of Commodities.** The new farm bill extends the requirement that the Administrator of USAID make a minimum level of 2.5 million metric tons (MMT) of commodities available each fiscal year through 2012 for distribution via Title II. Of that minimum, not less than 1.875 MMT is to be made available for non-emergency (development) projects. This mandated volume of commodities for development food aid has rarely been met. The requirement can be waived, and frequently has been, if the Administrator of USAID determines that such quantities of commodities cannot be used effectively or in order to meet an emergency food security crisis.

**“Safe Box” for Non-Emergency (Development) Food Aid.** In recent years, more Title II funds have been allocated to emergency relief than to non-emergency (development) projects. In FY2007, for example, USAID allocated \$866.3 million to emergency food aid and \$348.4 million to development food aid. The Administration has expressed concerns about the adequacy of food aid resources to respond to emergencies, while food aid organizations indicate concerns about the availability of food aid for use in development projects.<sup>3</sup> The 2008 farm bill provides for a “safe box” for funding of non-emergency, development assistance projects under Title II. The argument in favor of the safe box is that it would provide assurances to the implementing organizations (PVOs, coops, intergovernmental organizations) of a given level of funds with which to carry out development projects. The Administration’s principal objection to the safe box is that it will deprive the USAID Administrator of the flexibility needed to respond to emergency food needs. The new farm bill provides a safe box funding level beginning at \$375 million in FY2009, ending in FY2012 at \$450 million. The mandated funding level can be waived if three criteria are satisfied: (1) the President determines that an extraordinary food emergency exists; (2) resources from the Bill Emerson Humanitarian Trust (see below) have been exhausted, and (3) the President has submitted a request for additional appropriations to Congress equal to the reduction in safe box and Emerson Trust levels.

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<sup>3</sup> The Administration’s farm bill food aid proposal is discussed in [<http://www.usda.gov/documents/07finalfbp.pdf>]; views of many of the private voluntary organizations that use food aid for development projects are available at [<http://www.allianceforfoodaid.com/>].

**Pilot Program for Local/Regional Cash Purchase.** The 2008 farm bill includes a scaled-down version of the Administration's only international food aid proposal for legislative authority to use up to \$300 million of appropriated P.L. 480 Title II funds for local or regional purchase and distribution of food to assist people threatened by a food security crisis. The farm bill provides that the pilot project be conducted by the Secretary of Agriculture with a total of \$60 million in mandatory funding (not P.L. 480 appropriations) during FY2009 and FY2012. The pilot project would entail a study of experiences with local/regional purchase followed by field-based projects that would purchase food commodities locally or regionally. The field-based projects would be funded with grants to PVOs, cooperatives, and intergovernmental organizations, such as the World Food Program. All of the field-based projects would be evaluated by an independent third party beginning in 2011; the Secretary of Agriculture would submit a report to Congress on the pilot project four years after the enactment of the bill.

**Food Aid Consultative Group.** The new farm bill extends to 2012 the authority for the Food Aid Consultative Group (FACG), which advises the USAID Administrator on food aid policy and regulations. It requires the Administrator of USAID to consult with the FACG in developing regulations for the pilot local cash purchase program.

**Micronutrient Fortification Programs.** The 2008 farm bill reauthorizes the Micronutrient Fortification Program in which grains and other food aid commodities may be fortified with such micronutrients as vitamin A, iodine, iron, and folic acid. It adds new legislative authority to assess and apply technologies and systems to improve food aid. The farm bill also eliminates limitations on the number of countries in which this program can be implemented.

**Monitoring Non-Emergency (Development) Projects.** The farm bill authorizes the use of up to \$22 million annually to be used for the monitoring and assessment of non-emergency (development) food aid programs. No more than \$8 million of these funds may be used for the Famine Early Warning System Network (FEWS-NET), but only if at least \$8 million is provided for FEWS-NET from accounts appropriated under the Foreign Assistance Act of 1961.<sup>4</sup> Up to \$2.5 million of the funds can be used to upgrade the information technology systems used to monitor and assess the effectiveness of food aid programs. This provision is a response to criticism that monitoring of such programs by USAID has been inadequate due to such factors as limited staff, competitive priorities, and legal restrictions.<sup>5</sup> The USAID Administrator can use these funds to employ contractors as non-emergency food aid monitors.

**Shelf-Stable Foods and Prepositioning.** The farm bill increases funding available annually (from Title II funds) from \$3 million to \$8 million for stockpiling and

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<sup>4</sup> The Famine Early Warning System Network (FEWS-NET) is a USAID-funded project that aims to strengthen the abilities of African countries and regional organizations to manage risk of food insecurity through the provision of timely and analytical early warning and vulnerability information. FEWS-NET collaborates with international, national, and regional partners to provide timely early warning and vulnerability information on emerging or evolving food security issues.

<sup>5</sup> *Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid*, Government Accountability Office (GAO), at [<http://www.gao.gov/new.items/d08680.pdf>].

rapid transportation, delivery, and distribution of shelf-stable, prepackaged foods. Shelf-stable foods are developed under a cost-sharing arrangement that gives preference to organizations that provide additional funds for developing these products. The new bill also reauthorizes prepositioning of commodities overseas and increases the funding for prepositioning to \$10 million annually from \$2 million annually. USAID maintains that prepositioning (currently at two sites, New Orleans and Dubai, United Arab Emirates) enables it to respond more rapidly to emergency food needs. Critics say, however, that the cost effectiveness of prepositioning has not been evaluated.

**Farmer-to-Farmer Program.** The 2008 farm bill reauthorizes the Farmer-to-Farmer program of voluntary technical assistance in agriculture funded with a portion of P.L. 480 funds. The bill provides an annual floor level of funding for the program of \$10 million and extends it through 2012. It also increases the authorization of annual appropriations for specific regions (sub-Saharan Africa and the Caribbean Basin) from \$10 million to \$15 million.

**P.L. 480 Title I.** This title of P.L. 480 authorizes provision of long-term, low interest loans to developing countries for the purchase of U.S. agricultural commodities. The new farm bill makes some changes in the program, which has not received an appropriation since 2006 to reflect a food security rather than a market development emphasis of U.S. food aid. Thus the bill strikes references in Title I to recipient countries becoming commercial markets for U.S. agricultural products and the requirement that organizations seeking funding under this title prepare and submit agricultural market development plans. The bill gives Title I of P.L. 480, previously referred to as Trade and Development Assistance, a new name, Economic Assistance and Food Security.

## **Food for Progress**

The Food for Progress Program (FFP) provides commodities to developing countries that have made commitments to expand free enterprise in their agricultural economies. The 2002 farm bill required that a minimum of 400,000 MT be provided under the FFP program. However, not more than \$40 million of Commodity Credit Corporation (CCC) funds may be used to finance transportation of the commodities. This amount effectively caps the volume of commodities that can be shipped under the program. (In FY2007, for example, 342,000 MT were shipped under FFP.) The 2008 farm bill conference agreement extends the program without change through 2012, with the requirement that the Secretary of Agriculture establish a project in Malawi under the FFP.

## **McGovern-Dole Food for Education and International Child Nutrition**

The McGovern-Dole food aid program provides commodities and financial and technical assistance to carry out preschool and school food for education programs in developing countries. The program is widely viewed as a model food aid program because of the flexibility with which it provides program components. By executive order of the President, the McGovern-Dole program is administered by the Secretary of Agriculture. The main issues in congressional debate about the future of the program were the manner and level of funding. Some argued for changing the funding from discretionary (as in current law) to mandatory and for ramping up funding to \$300 million

by 2012. Others proposed maintaining discretionary funding for the program with a substantial increase. The 2008 farm bill reauthorizes the program through 2012 and establishes the U.S. Department of Agriculture as the permanent home for the program. The new law maintains funding for McGovern-Dole on a discretionary basis without an increase, but does authorize \$84 million in mandatory money for the program in FY2009, to be available until expended.

## **Bill Emerson Humanitarian Trust**

The Bill Emerson Humanitarian Trust (BEHT) is a reserve of commodities and cash that is used to meet unanticipated food aid needs or to meet food aid commitments when U.S. domestic supplies are short. The BEHT can hold up to 4 MMT of grains (wheat, rice, corn, sorghum) in any combination, but the only commodity ever held has been wheat. USDA has recently sold the remaining wheat in the trust (about 915,000 MT) so that currently the BEHT holds only cash — about \$294 million. The cash would be used, according to USDA, when USAID determines it is needed for emergency food aid.

The 2008 farm bill reauthorizes the BEHT through FY2012. It removes the 4 million ton cap on commodities that can be held in the trust, and allows the Secretary to invest the funds from the trust in low-risk, short-term securities or instruments so as to maximize its value. The new law replaces the word “replenish” with the word “reimburse” throughout the language to reinforce the notion that resources of the BEHT may be held in cash as well as commodities.