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REFORMING FOOD AID: DESPERATE NEED TO DO BETTER

HEARING

BEFORE THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

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CONTENTS

Page

WITNESSES

The Honorable Dan Glickman, vice president and executive director, Aspen Institute Congressional Program (former Secretary, U.S. Department of Agriculture) 3
The Honorable Rajiv Shah, senior advisor, Chicago Council on Global Affairs (former Administrator, U.S. Agency for International Development) 9
Christopher B. Barrett, Ph.D., David J. Nolan director, Stephen B. and Janice G. Ashley professor, Charles H. Dyson School of Applied Economics and Management, Cornell University 17
The Reverend David Beckmann, president, Bread for the World 27

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

The Honorable Dan Glickman: Prepared statement 6
The Honorable Rajiv Shah: Prepared statement 12
Christopher B. Barrett, Ph.D.: Prepared statement 20
The Reverend David Beckmann: Prepared statement 29

APPENDIX

Hearing notice 58
Hearing minutes 59
The Honorable Edward R. Royce, a Representative in Congress from the State of California, and chairman, Committee on Foreign Affairs: Written statement from Howard G. Buffett, Chairman and CEO of the Howard G. Buffett Foundation 61
The Honorable David Cicilline, a Representative in Congress from the State of Rhode Island: Written statement from Navyn Salem, Founder, Edesia Inc. 66

REFORMING FOOD AID: DESPERATE NEED TO DO BETTER

WEDNESDAY, OCTOBER 7, 2015

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10:14 a.m., in room 2172 Rayburn House Office Building, Hon. Edward Royce (chairman of the committee) presiding.

Chairman ROYCE. This committee will come to order. This morning we are going to discuss the need to bring more flexibility and efficiency and effectiveness to our U.S. international food aid program.

And let me mention at the outset that there is a problem at the tarmac at Reagan Airport so we are going to see Mr. Engel in a while, but he is en route.

So let me make the observation that a number of the members of this committee had an opportunity to travel with me to Tacloban after the horrible typhoon hit that island and see what the situation was like on the ground. Had it not been for the ability to work around our food aid program and get food there directly, had the food been shipped from the United States it would have taken 6 months.

Fortunately, food was prepositioned in advance of the hurricane season so it took 6 weeks. But had USAID not found a way to work around the restrictions, get the local purchases, get the voucher program in place, and start feeding people that week, you would have had an absolute crisis on Tacloban. I and other members of our committee saw that.

So over the last 60 years the U.S. Government, in partnership with American farmers, as we know the history, and in partnership with shippers and NGOs, has helped to relieve the suffering of billions of starving people worldwide, but that proud legacy shouldn't blind us to needed reforms here today. Desperately needed reforms. As we will hear today, our food aid is needlessly expensive, it takes too long to arrive, and it often does long-term damage to local economies.

So those are the issues we are going to be discussing. Despite the fact that obtaining food closer to an area in crisis or providing vouchers can save time, money, and lives, current law requires that our food aid be purchased in and shipped from the United States, 6 months away. And that 6 months to get the food there, that is

part of the problem. We are the only country that continues this approach to food aid.

These requirements have real-life consequences. As Andrew Natsios, a former administrator of USAID, told this committee, "I watched people die waiting for food aid to arrive." So again it took 4 weeks when we prepositioned for U.S. food to arrive in the Philippines following the typhoon, it took 6 weeks to arrive in Nepal following the 2015 earthquake, and our food aid program simply wasn't able to provide food when and where it was needed the most.

Not only do U.S. purchase and shipping requirements slow us down and add unnecessary transportation costs, by the way, they can also distort local markets. That is the other thing we need to look at. In 2008, Americans saw truckloads of U.S. food being delivered to northern Kenya where famine threatened to kill millions. What we didn't see, but now we understand, is that these truckloads of U.S. food depressed local prices and pushed farmers in other parts of Kenya who had an abundant harvest. But we had not transferred from where that harvest occurred to where the famine was occurring. That was not the way we addressed the issue. So instead, it pushed those farmers into deeper poverty, into bankruptcy. Local purchases of food would have avoided this devastating consequence, but that was not an option at the time under the rules.

And this scenario has played out again and again from Afghanistan to Haiti.

The challenges of food aid have changed since the program was first established in the 1950s. More and more in areas of conflict food is being used as a weapon against the population. Groups like ISIS and al-Shabaab are manipulating food aid. Convoys are being attacked. Some countries hosting large numbers of refugees have seen food aid destabilize their economies, and that makes the refugees unwelcome in their minds. Here again, the use of more flexible food aid tools could work, but we need a little flexibility in the equation and that is what we are trying to engineer here.

Current law has not kept pace with today's world. Our Government no longer holds surplus food stocks. Agricultural prices are stable, U.S. agricultural exports are at an all-time high, and demand is expected to increase. U.S. ports are doing quite well. Using food aid as a means to subsidize our economy can't really be justified in situations where there is an emergency.

And the "auxiliary reserve" that U.S. shipping requirements supposedly support—it has never been called up. In fact, the majority of U.S. ships that move food aid are not even "militarily useful." Those that are, ultimately those are foreign owned. They are not owned by U.S. shipping companies.

For the past 3 years, we have been fighting to advance common sense solutions that would enable the U.S. to reach more people in less time at less expense, and we have been fighting to put the emphasis back on saving lives. We have made some progress but it is not enough.

If we allowed for just 25 percent of the Food for Peace budget to be used for more flexible food aid approaches when there is an emergency, like local purchase, vouchers or transfers, we could re-

duce our response time from months to hours and reach at least 2 million more people with lifesaving aid. If we bump that number up to 45 percent we could reach 6 million more.

As we will hear today, we are in desperate need to do better. We need to embrace common sense reforms that allow us to use the right tool at the right time in the right place.

With that I will turn to Mr. Engel after he arrives, after the testimony of our four witnesses. And let me introduce Mr. Dan Glickman. Many of us know him as the former Secretary of Agriculture from March '95 until January 2001, and he served in the House for 18 years representing the fourth district of Kansas.

Dr. Raj Shah served as the 16th administrator of the U.S. Agency for International Development where he led the Feed the Future and Power Africa initiatives.

Dr. Chris Barrett teaches economics at Cornell University. Dr. Barrett has won several national and international awards for his research, which focuses on international agricultural development and on poverty reduction.

Reverend David Beckmann has been president of Bread for the World since 1991 during which time he has fought to overcome hunger around the planet. He was recognized with the World Food Prize for his contributions.

And we appreciate this distinguished panel here today. Without objection, the witnesses full prepared statements will be made part of the record. Members here will have 5 calendar days to submit any statements or any questions or any extraneous materials for the record.

And Mr. Glickman, please summarize your remarks, if you will, Mr. Secretary. Thank you.

STATEMENT OF THE HONORABLE DAN GLICKMAN, VICE PRESIDENT AND EXECUTIVE DIRECTOR, ASPEN INSTITUTE CONGRESSIONAL PROGRAM (FORMER SECRETARY, U.S. DEPARTMENT OF AGRICULTURE)

Mr. GLICKMAN. Thank you, Chairman Royce. It is an honor to be here to see former colleagues. I served with Dana Rohrabacher, I think it was on the House Science Committee, a long time ago. We both look pretty good, but it was a long time ago. And then of course Karen Bass just recently accompanied several of your colleagues on a visit to Tanzania as part of the Aspen Institute.

So I am delighted to be here. And I think I am really here as much in my former role as Secretary of Agriculture and as a Congressman from Kansas and an agriculture guy, who sometimes agriculture and humanitarian interests are not necessarily on the same wavelength as it relates to the issue of food aid reform and flexibility. So I just wanted to give you my thoughts and thank you so much for having this hearing which is extremely important.

I do agree with you, Mr. Chairman, that offering more flexibility in how food aid is distributed will allow the U.S. to feed more hungry people more quickly while empowering them to, over time, feed themselves. My first point I would make is in the last decade changes in the number and nature of conflicts, humanitarian disasters, massive migration, and refugee crises are forcing the United

States and the world at large to rethink old paradigms about how we can deliver food assistance effectively and efficiently.

This year, for the first time in history, we are facing four Level 3 humanitarian crises, Syria, Iraq, Yemen, and South Sudan. More than ever before our food aid resources are strained. And not too long ago the head of the World Food Program said that we did not have enough resources, either the United States or the world, to provide adequate food assistance to the refugees in Syria. This is a big problem, and it is an important problem for the United States because we provide roughly about half of the food assistance in the world and we are viewed as a great leader.

So to alleviate short term hunger in both emergency and non-emergency situations, the U.S. needs a range of food and aid tools including food vouchers, local and regional purchase, in-kind support, and in some cases direct cash assistance. These tools have all been introduced on at least a limited basis over the past decade.

My colleague and friend Raj Shah has done a transformational job at USAID trying to do this within the statutory authority that we are given. But as you point out, Mr. Chairman, statutory limitations often prevent policy makers from choosing the tool that will best meet food needs for the greatest number of people.

Traditionally, food has been sourced from American growers. That was in part based upon constant surpluses after the Second World War, surpluses in corn and wheat and soybeans. And farmers have deep humanitarian ties to the rest of the world. But those surpluses drove the need for food aid based upon the direct transfer of crops and commodities.

Those times have changed, as you point out. Supply and demand are at much better equilibrium around the world, and the inhibitions that you have pointed out through cargo preference, the NGO process of monetization, are not necessary these days like they might have been 20 or 30 years ago.

The complex nature of emergencies today and the circumstances driving chronic hunger have rendered these approaches more inefficient than other delivery methods. Further, the food aid program no longer yields the same benefits to American agriculture and shipping industries as it once did. In fact, the whole scheme of humanitarian assistance and its resources and infrastructure, both how the U.S. does it and the rest of the world, is not up to the task of today's problems given the chronic crises we have.

Evidence suggests however that an important step in the right direction is to make America's food aid program far more flexible and to favor a cash-based approach to ensure that we get the most mileage out of every food aid dollar invested.

And this is not a one-size-fits-all. We will still need to provide commodities as we did in Haiti, as we did in the Philippines. It has to be part of our arsenal, but the statutory restrictions on how much commodities are given and under what circumstances are really hurting our ability to help people around the world. And those points have been made, I think, by everybody here who is talking about it. So, in my testimony I talk about the range of changing in tools in terms of cargo preference, in terms of monetization that need to be done.

But I want to finish my testimony as the former Secretary of Agriculture. I want to emphasize that U.S. agriculture can and should be seen as an important partner in meeting food needs. Introducing more flexibility into America's food aid program will not negatively impact the vast majority of U.S. food producers, but a failure to leverage the strengths of the U.S. agriculture and food sector will negatively affect our ability to advance food security.

Food aid was responsible for about 1 billion out of 152 billion in commodity exports last fiscal year. A recent report by the American Enterprise Institute calculated that the share of U.S. corn production the previous 6 years used for food aid was less than 0.1 percent, and only 0.5 percent of corn exports were due to food aid programs. Because of global aid, global trade, other issues that are coming up, the need for U.S. agriculture to benefit directly from the shipment of American commodities overseas is not as great as it used to be before, and in fact it has a negative impact on our ability to serve the world.

So, look, American agriculture has a lot to gain by stronger economies around the world, greater exports generally, bigger purchases of U.S. agriculture and fertilizer and related products, and a much stronger worldwide economy will allow U.S. producers to benefit rather dramatically. So it really is in our interest to make these food aid programs more sensible and more flexible, and that is the bottom line in all of this. It does not hurt American agriculture; it ultimately will help American agriculture rather dramatically.

So I urge this committee to consider U.S. agriculture a partner in pursuing food aid reforms, to talk to people within the agriculture community, to find ways that we can work through some of the politics of these problems, but at the same time recognizing to feed a hungry world and to save millions of lives we do need to make these programs much more flexible than they currently are. Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Glickman follows:]

Witness Statement of
Dan Glickman, Vice President and Executive Director, Aspen Institute Congressional Program before the House Foreign Affairs Committee on
"Reforming Food Aid: Desperate Need to Do Better"
October 7, 2015 | 10:00 a.m. EDT

I would like to thank Chairman Royce, Ranking Member Engel, and all of the Members of the House Foreign Affairs Committee for inviting me to testify. Under the leadership of the chairman and the ranking member, this Committee has shown tremendous leadership on issues of global food security, whether through the promotion of agriculture internationally as a poverty alleviation tool or in trying to identify the best means of delivering food aid to hungry people. I am honored to join you today.

I strongly believe that development, alongside defense and diplomacy, is necessary to secure America's national security and economic interests. When countries are less afflicted by poverty and hunger and more economically prosperous, they are more secure and offer greater long-term opportunities for US businesses. Recently I led a congressional delegation to Tanzania where US government investments and nongovernmental organizations (NGOs) are having positive impacts while opportunities for US growers and agribusinesses abound. Although Chinese investment in Tanzania is pervasive, the people viewed America far more favorably. America's engagement in the developing world - particularly to root out poverty, hunger, and malnutrition - is key to our future geopolitical strength.

To improve the lives of people in poor nations, we must look holistically at the linkages between foreign assistance tools whether they include food aid, supporting emerging farming systems, improving nutrition, providing adequate power and electricity, or building out rural infrastructure. In that vein, my remarks will focus on the role food assistance can play in advancing global food security and responding to emergencies. Offering more flexibility in how food aid is distributed will allow the US to to feed more hungry people, more quickly while also empowering them to, over time, feed themselves.

In the last decade, changes in the number and nature of conflicts, humanitarian disasters, and massive migration and refugee crises are forcing the United States to re-think how it can deliver food assistance effectively and efficiently. Today, millions of people are hungry because of war, natural disasters, or pandemics. Many are refugees or are internally displaced. These emergency situations are happening more frequently and affecting more people. In FY14 alone, the Nepalese earthquake left more than one million people in need of emergency food assistance; the conflict in South Sudan caused one third of the country's population to become food insecure; and the civil war in Syria has engendered the largest refugee crisis since World War II.

Non-emergency food aid is also needed to address chronic hunger. Nearly 800 million people are hungry more often than they are full, and many of these people, ironically, are smallscale farmers in Africa and Asia. These people are hungry because of limited food supplies in rural areas and also because they are not able to grow or sell enough food to make a livable wage.

To alleviate short-term hunger in both emergency and non-emergency situations, the US needs a range of food aid tools including food vouchers, local and regional purchase, in-kind support, and in some limited cases, direct-cash assistance. These tools have all been introduced on at least a limited basis over the past decade. However, statutory limitations often prevent policymakers from choosing the tool that will best meet food needs for the greatest number of people.

Traditionally, US food aid has been sourced from American growers, shipped on US flag carriers, and delivered in the field by NGOs. In food aid's early days, this approach helped meet food needs overseas while

also creating a market for American producers and giving US flag carriers business, which helped keep skilled mariners at work during peace times. Through a process called monetization, NGOs would sell the food once it reached its destination, and use the proceeds to cover the costs of distribution and other development activities.

The complex nature of emergencies today and the circumstances driving chronic hunger have rendered this approach more inefficient than other delivery methods. Further, the food aid program no longer yields the same benefits to America's agriculture and shipping industries as it once did. The whole scheme of humanitarian assistance and its resources and infrastructure is not up to the task of today's problems. Evidence suggests, however, that an important step in the right direction is to make America's food aid program far more flexible and to favor a cash-based approach to ensure we get the most mileage out of every food aid dollar invested.

A cash-based approach to food aid allows a range of tools to be deployed depending on the nature of the emergency and local context. There are three specific reforms that should be considered:

1) Current law requires that the majority of US food aid dollars be spent on in-kind assistance. According to the Government Accountability Office (GAO), food from the United States takes four to six months to reach beneficiaries. In cases of immediate need, waiting three months for food could mean the difference between life and death. GAO also found that shipping food from the United States to sub-Saharan Africa took 100 days longer than procuring food from local or regional sources. Shifting to a cash-based approach allows people to be served more quickly while stimulating local markets. In a cash-based system, in-kind support can still be provided when local food supplies are lacking or there are desperate nutrition requirements. Cash-based food aid also has the same safeguards in place as in-kind food assistance and can recognize America's contribution in the same way in-kind support does.

2) NGOs play an invaluable role in making sure food reaches hungry people. Yet the process of monetization is an inefficient way to cover distribution costs. It can also distort local markets, driving down food prices and negatively affecting local producers. In recent years, the US has expanded the ability of the 202(e) account to cover the costs of food distribution and, as a result, monetization has decreased. This flexibility should continue and the US should consider scaling down the share of food aid that requires monetization from 15% to zero.

3) In-kind food assistance should always be included in the range of food aid tools. To ensure it can be deployed efficiently, the US should review cargo-preference requirements. US law currently requires 50% of in-kind food contributions to be shipped on US flag carriers. GAO found that this requirement increased the overall cost of shipping by an average of 23%. Reducing or eliminating food aid cargo preference requirements and finding other means to address US interests in an adequate maritime capacity will free up monies to reach more hungry people.

As former secretary of agriculture, I want to emphasize that US agriculture can and should be seen as an important partner in meeting food needs. Introducing more flexibility into America's food aid program will not negatively affect the vast majority of US food producers, but a failure to leverage the strengths of the US agriculture and food sector will negatively affect our ability to advance global food security.

Today, from a market-share standpoint, food aid makes up a small fraction of total US agricultural production purchases and exports. Of the $152.5 billion in commodities exports in FY14, food aid was responsible for just over $1 billion. A recent report by the American Enterprise Institute calculated that, between 2006 and 2012, the share of US corn production used for food aid was less than 0.1%, and only 0.5%

of corn exports were due to food aid programs. Even so, some US growers see greater percentages of their crops go towards food aid purchases. Between 2006 and 2012, food aid programs purchased 8.7% of all pulse crops and were responsible for 18.7% of pulse exports. Similarly, food aid programs purchased 5.8% of all grain sorghum crops and were responsible for 12.7% of all exports.

Although US agriculture and food producers have been involved in global food security efforts through our food aid programs, there is an opportunity to leverage additional agricultural strengths to meet current and future food needs. In fact, food aid reform has the potential to dramatically reduce the number of people globally that are food insecure; even more so along with the long-term authorization of our efforts on sustainable agricultural development included in the Global Food Security Act and a re-think about the way we approach agrifood research.

Earlier this year, this committee passed the Global Food Security Act. As you know, this legislation institutionalizes an effort launched formally in 2010 to lift people out of poverty and chronic hunger through investing in agriculture in low-income countries. Ironically, more than half of those living on less than $1.25/day depend on agriculture for their incomes. Through providing these people with better seeds and fertilizers, access to information and training, and links to markets, their incomes have increased and the rates of stunting and chronic hunger have decreased. Unlike food aid, which meets immediate needs, the Global Food Security Act will address the root causes of hunger and poverty and help by providing sustainable solutions. If the Global Food Security Act becomes law, it would authorize investments that have transformed the lives of millions and cement America's position as a global food leader.

Contributions from America's agriculture and food producers can increase the impact US investments have overseas. The US Department of Agriculture (USDA) can develop new technologies that will help farmers adapt to greater weather variability and disasters like droughts and floods, whether they live in Kansas or Kenya. USDA can help build out the capacity of developing countries' regulatory systems, ensuring that the food produced is also safe for consumers to eat. US agrifood businesses can partner with small- and medium-sized enterprises in low-income countries to aid in food production, processing, and retailing while also positioning themselves to take advantage of future economic growth. Finally, the US land-grant university system can train the next generation of agriculture and food leaders both in America and overseas and help build out the research, education, and extension capacity of developing country institutions. A greater role for American agriculture producers and businesses in global food security activities will position our food and farm sector for growth. The agriculture and food sector in Africa is expected to reach $1 billion by 2030 and US exports to the continent have increased 200% in the last decade. The strengths of US agriculture have not yet been fully leveraged in the battle to end global food insecurity. This should change.

Thank you again to the Committee for inviting me to testify on this important issue.

Chairman ROYCE. Thank you, Mr. Secretary.
Raj.

STATEMENT OF THE HONORABLE RAJIV SHAH, SENIOR ADVISOR, CHICAGO COUNCIL ON GLOBAL AFFAIRS (FORMER ADMINISTRATOR, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT)

Mr. SHAH. Thank you, Mr. Chairman. And I want to commend you for your extraordinary leadership on this issue, also Congressman Engel and so many other friends and colleagues on this panel.

The Pope's recent visit reminded us that America's role as the world's leader in humanitarian affairs really is a signal part of our national security and global presence. Of course, our humanitarian history is that we started as a great humanitarian nation internationally with food assistance, sending surplus American commodities abroad after the Surplus Commodity Act. This legacy has fed more than 3 billion people over 60 years, and as Secretary Glickman points out, and has done so much to preserve this legacy, this is an extraordinary, extraordinary achievement.

But today we have many, many food crises that are not just food crises. The fact that there are so many hungry children, women, and families in Syria is not just a food crisis, it is creating a refugee crisis that contributes to destabilizing that region. The fact that so many young children, more than 1,000 in the camps in South Sudan, have telltale orange hair because they are so acutely malnourished and on the verge of starvation is not just a humanitarian priority, it is leading to instability throughout that region. And the fact that our presence and capacity to support those in Nepal is diminished because of our lack of flexibility and how we conduct our food assistance is also not just a moral issue, it has security and stability consequences.

And today we are having this debate in a context where we know a lot of the evidence around whether or not reform and flexibility in the food assistance program works. We have evidence that shows that targeting the most vulnerable children with vouchers, often sent electronically on SMS texts on their mobile phone, actually saves their lives in crises far more effectively than shipping American food and trucking it into communities where that kind of targeting capacity is not possible.

To just put it in perspective, the Somalia famine of 2011, which I take as one of the most, in my view, meaningful moments of my tenure at USAID, would have led to more than 100,000 children dying. In fact, 35,000 children already had died before the targeting and the SMS program went into place. And then the child deaths came down so fast and so effectively that we virtually stopped child death from that famine the moment we put that program in place. We can only do that because of flexibility that we had in other programs.

Shipping over U.S. grain is now known to be less valuable than feeding children with these ready-to-use supplemental and therapeutic foods. This little packet of peanut butter-like paste, which doesn't taste quite as good as peanut butter, having had some, resuscitates children so much faster and so much more effectively

than giving them corn-soy blend or any of the other more traditional food assistance products.

These products are created in New Jersey and Texas and Rhode Island. I have met, along with Congressman Cicilline, the employees of these companies that are often refugees themselves that take great pride in the fact that they are serving this country and our ability to project our values around the world. And we can do this in a way that creates American jobs and uses American knowledge and medical know-how to actually save lives.

We know local purchases, as Chairman Royce mentioned, is faster and cheaper than the alternatives. It is 25 percent less costly in Tacloban, but also in every other crisis the first few weeks and months of aid and assistance do not come from the traditional Food for Peace program. They come from a different pocket of resources that we use so that we can locally purchase and locally serve food and meet needs when they are needed. And then Food for Peace comes in many months later using a program that was designed six decades ago.

By the way, we also know that those efforts can be branded just as proudly. In fact, one of my favorite photos is from the Tacloban response when we had U.S. military personnel carrying a box of locally purchased foods that were labeled USAID that said "From the American people" and that communicated the same sense of national pride and commitment as any other form of branding with respect to food assistance.

And finally, we know that monetization in its current form is just a waste of money at best, and in reality is far more consequential and that it depresses prices for local farmers. When we ended monetization in Haiti we immediately created incentives for tens of thousands of farm households to double their food yields. We then supplemented that effort with targeted feeding programs that reached the most vulnerable children.

And today, 50 percent of child hunger has gone—child hunger is down by more than 50 percent in Haiti compared to the day before the earthquake. Not because we are using Food for Peace in its traditional form, but because we are ending some of the harmful practices of an antiquated program that sometimes causes more harm than benefit. This is real data. This was enabled by the farm bill's increasing flexibility that lets us test new approaches and see what is happening. It was enabled by the Bush administration's local and regional procurement program which gave us the database to understand whether these new ways of working have effectiveness or not.

And today we live in a world where this reform is politically achievable. Big agriculture companies like Cargill, growers like the National Farmers Union, policy experts from the left and the right, including the American Enterprise Institute and even some of the largest shipping companies in the world, have come together to say, let's do this differently because America's humanitarian leadership matters for our world, and they want to see it sustained in a different way in the future.

So I welcome the opportunity to be with you, and I want to congratulate and thank you for your interest. I do believe the time is now to live up to the Pope's call. I think you can pass food aid re-

form in this body. I think you can pass Feed the Future and authorize that bipartisan legislation, which I understand now has nearly 80 co-sponsors on its way to 100.

And I think if you do those two things in this Congress, America's leadership in fighting hunger around the world will be sustained for the next decades and it will be something we can all be very, very proud and grateful for. Thank you.

[The prepared statement of Mr. Shah follows:]

Testimony Submitted to the
House Foreign Affairs Committee

By

The Honorable Rajiv Shah, MD
Senior Advisor, Chicago Council on Global Affairs

7 October 2015

Thank you Chairman Royce, Ranking Member Engel and Distinguished Members of the Committee. I am honored to be asked to testify on such an important subject and one that I deeply care about. Chairman Royce and Ranking Member Engel, I would especially like to thank you for your past efforts to modernize our food assistance programs.

During the Pope's recent visit to Washington he delivered a message ripe with hope and service. He asked Americans to share in his call for justice for the more than 800 million currently living in extreme poverty and hunger around the world. The Pope's rallying cry for compassion and generosity is echoed by the American farmer's dedication to feeding the world and fostering hope. His message of service continues to be embodied in the half-century of unwavering public support for astoundingly successful results-oriented programs like Food for Peace and more recently, Feed the Future. Over the past 60 years, Food for Peace has reached more than 3 billion of the world's neediest in almost 150 countries globally precisely when people are most vulnerable. More recently, Feed the Future has built on this legacy in precisely these countries to support the creation of resilient, self-sufficient communities. The impact of these life-saving interventions transforms communities and helps create lasting solutions to food insecurity. Now more than ever, action is crucial and, once again, will demonstrate Congressional leadership. Congress can seize on this opportunity to reform Food for Peace and authorize Feed the Future. Passing either of these bills on their own would send a powerful message that the US is serious about eliminating global hunger and position the US to address greater need going forward, and in this Congressional session you have the ability to advance two intertwined but separate aspects of global food security.

Importance of Global Food Security

The world is facing one of the greatest challenges of any generation: how to nutritiously feed an additional 2 billion people over the next 35 years. Chronic hunger and poverty coupled with slowing agricultural production, diminishing natural resources and infertile land create a toxic mix that could spell disaster. Despite this bleak vision, there is a path forward and with our knowledge, tools, and determination, the US can remain a global leader at the forefront of combating food insecurity and alleviating poverty. Leadership in this area is not only a moral prerogative, but is also crucial to protecting US national security interests. Following the food price spikes in 2008, millions were pushed into poverty and massive civil unrest spread across over 30 nations. In response, the international community made commitments to bolster development investments. Advancing development has a direct impact on the creation of stable, sustainable allies for the US and has clear importance to improving our national security.

The nature of food aid has changed rapidly since the inception of Food for Peace. Over the past two years, five Level-3 emergencies – the most severe designation given by the UN - required aid

deployments. US resources have been stretched in order to meet demand. Over the past year alone, Food for Peace has been called to address near-famine in South Sudan, a devastating earthquake in Nepal, the Ebola outbreak in West Africa, and combat the rising humanitarian crisis in Iraq and Syria. In these crises, recent advances enabled by new flexibilities proved extremely effective. The use of vouchers in Jordan and Lebanon, ready-to-use therapeutic food for severely malnourished children in South Sudan, and local and regional purchase in Nepal enabled our programs to react faster and in the most appropriate way, preventing millions of deaths in the aftermath. Despite the incremental advances, much more flexibility is needed to cope with the evolving demand and rising need.

Increasing demand on resources has not been the only challenge in recent years. In South Sudan, Food for Peace has been forced to deliver aid through air operations to reach the remote populations and refugee camps housing those fleeing conflict. The telltale fluffy rust-colored hair, stiff gait, and protruding belly of severe malnutrition is impacting children the most. In just one of the four main camps, over 1,200 children were diagnosed as acutely malnourished, literally starving. Due to the extraordinary need, USAID had to tap into the very seldom used Bill Emerson Humanitarian Trust to pull South Sudan back from the brink of famine and limit wider regional conflict. This summer, as the population prepared for the lean season, USAID announced an additional $98 million in food assistance for the country, which includes 44,000 tons of in-kind commodities sent to the region.

Implementation has become infinitely more complicated. Addressing the massive and unprecedented humanitarian need in Syria, where the ongoing conflict is affecting almost 10 million people, has raised new and difficult obstacles to distribution. The massive migration and refugee crisis has created an increasingly complex environment in which we have seen the use of in-kind aid begin to have diminishing returns. In response to this rapidly changing, unstable, and intricate situation, Congress has helped to bolster life-saving interventions targeted to the needs of specific populations. Through flexibilities granted by Congress and the diversification of funding, such as the use of the International Disaster Assistance account, we were able to deploy stopgap humanitarian aid in the form of targeted cash transfers and vouchers to use in local markets, as well as local and regional procurement. The increased use of biometrics and other tracking mechanisms have helped ensure aid reaches the intended recipient and is used for its specific purpose.

Feeding the hungry during emergencies is the first step in helping communities stand on their own two feet. Helping them transition from dependence to self-sufficiency is the next step in advancing their dignity.

In Kenya, for example, Food for Peace emergency assistance during the lean season is coupled with Feed the Future resilience projects helping farmers adopt relatively simple, but effective technologies to improve water and land use specifically tailored for the tough climate of Kenya's drylands.

Alongside Food for Peace, Feed the Future is teaching rural small scale farmers new technologies and management practices to help them weather the difficult climate and enhance crop production. The results have been incredibly successful. In FY2014, 935,000 producers used new techniques to enhance growth, production, and sustainability of their farms. Feed the Future farmers earned $14 million in new income from agricultural product sales in one year. Complementing emergency support with development efforts accelerates the recovery of the health and agricultural systems, and transforms a family's ability to weather emergencies. Coordinating across programs to

graduate beneficiaries from food aid and providing them with the tools to sustain themselves will dramatically increase our own abilities to tackle global food insecurity.

Feeding the hungry is not enough, one of our greatest assets is our agricultural technological know-how and we must continue to export this knowledge to teach the world how to feed itself.

Reforms Have Been Crucial to Meet Rising Need

By coupling the recent food aid reforms with other development efforts -- including Feed the Future, USAID, USDA and other U.S. government departments and agencies – the United States has been able to better respond to disasters and create lasting sustainable development in a more efficient, precise, and effective manner. As the understanding of the best form of food aid evolves, Congress has helpfully supported the use of a wider array of tools. The 2014 farm bill granted an additional 7% in flexibility enabling USAID to reduce and almost eliminate monetization. Even this incremental increase has allowed the prioritization of the flexibility to use cash, vouchers, and local procurement for programs where in-kind aid cannot arrive in time or when in-kind aid is not appropriate, such as in Syria.

We know that monetization, the sale of US food abroad for cash to fund programming, loses an average of $0.25 per taxpayer dollar spent in some cases. Procurement, shipping, commodity management, and commercial transactions are intensive and costly. Despite this, a 15% monetization requirement remains for Title II funding. There have been some reductions in monetization made possible through new flexibilities leading to a savings of $21 million and an additional 570,000 beneficiaries reached, but the outdated, and in many cases harmful, process should be phased out completely.

Diversification of funding has also had a ripple effect on emergency and non-emergency initiatives. Thanks to Congress, the creation of accounts such as the Emergency Food Security Program, funded through the International Disaster Assistance account, allow the use of flexible funding streams for the distribution of emergency food aid. As a result, America's humanitarian efforts have been greatly improved in protracted conflicts like Syria and acute crises such as Typhoon Haiyan in the Philippines. Aid is delivered faster, cheaper and with strong controls against improper use.

The extensive damage left in the wake of the violent storm wrought both short-term needs for nutritious food, clean water, and shelter as well as the long-term demands on rehabilitation and redevelopment. Implementers were able to use flexible tools to address acute need while also preparing for secondary demands. Offering cash grants through IDA, the World Food Program bought regionally grown rice to meet the immediate demands on supplies and provided an economic boom to local producers in the first few weeks. They were then able to deploy 1,020 tons of rice from pre-positioned warehouses in Sri Lanka to provide a hold over as in-kind aid embarked on the long journey from the US. The flexibility inherent within this type of funding has allowed USAID and partners to use a number of tools in the toolbox to support an additional 14 million people in 39 countries and save countless lives in the first weeks.

Finally, the reduction of cargo preference to 50% in 2012 has freed resources to include an additional 800,000 more beneficiaries annually without any additional funding.
It is important to stress that one delivery system of food aid is not always preferable over another – they all have an appropriate time and an appropriate place –rather it is necessary to give agencies the flexibility to determine the right assistance to execute in the proper context.

Over the years our food programs have been incredibly successful and Americans should be proud of this heritage of generosity. Thanks to Food for Peace programming, in Haiti, stunting prevalence has dropped by 16 percent and in the Democratic Republic of the Congo, we repaired 16 kilometers of irrigation canal and 27 kilometers of feeder road, raising annual incomes in the area by 42 percent. The impressive reductions of stunting in Feed the Future countries show how much these programs can do, even in a short time period. Stunting rates in Ghana have been cut almost in half, in Cambodia they have fallen by over a third. The fact is these programs have a proven track record of success and reforms will only enhance their ability to perform, to create staggering results and to make real strides.

Call to Action on Reform and the Path Forward

While incremental reforms have allowed for innovation and better results, there is more to be done. S. 525, the Food for Peace Reform Act of 2015 and H.R. 1567, the Global Food Security Act of 2015, together will more effectively tackle hunger and bolster American leadership around the world. Without these modernizing reforms, in the next ten years, our current system will become obsolete. Shipping costs will continue to be prohibitive, aid will reach less people and be less effective in combatting malnutrition, hunger and poverty, and most importantly American leadership will deteriorate in critical parts of the world.

The future food security challenges facing the world are massive. The global population is expected to grow to over 9 billion by 2050 and experts have suggested agricultural production must swell by at least 60% to accommodate this massive growth. The highest percentage of population changes will be concentrated in Sub-Saharan African and South East Asia, two regions already facing a myriad of food security challenges. The US Department of Defense has made clear that climate change could have wide-ranging implications for US national security due to social unrest spurred by reduced water availability, degraded agricultural production, higher prices, damage to infrastructure, and changes in disease patterns. The cost of implementation is also rising as efforts are increasingly concentrated in areas of protracted and ongoing conflict. Roughly one-third of the food assistance budget currently goes towards feeding people in active conflict zones.

A global food security strategy must be authorized by Congress as soon as possible. My thanks to Congressman Smith for sponsoring the legislation and to this Committee for taking the necessary steps to mark-up the Global Food Security Act of 2015. While obstacles do remain, I believe that Congress will find a way forward with that momentous legislation. Alongside food aid, development programming is the key to lifting communities out of poverty and onto the sustainable road to recovery. Encouraging lasting agricultural development is not just the right thing to do; it is also in the national interest of the US to create regional stability and in the economic interest of the private sector to ultimately foster new international markets through economic growth.

Reforms enhancing flexibility, eliminating monetization, and removing quotas increasing transportation costs will drastically increase the number of beneficiaries reached, increase the cost-effectiveness of these programs, and deliver better results. It is a triple win for the US budget, for the American taxpayers, and for our ability to reach those most in need.

In the most recent President's Budget, USAID requested an increase of 25% flexibility to use local procurement, cash, and vouchers when it is most appropriate rather than raising costs to accommodate current quotas. USAID states this would allow them to reach an additional two million emergency beneficiaries. While Title II requests will remain for US in-kind aid, such as the relief efforts deployed in South Sudan, flexibility in the tools utilized is essential to meeting future

needs, helping more beneficiaries, and ensuring funding streams are the most efficient. In places like Syria, flexibility to meet the needs of the diverse population is vital. Food for Peace and its partners are providing critical aid to displaced refugees and host communities affected by the ongoing conflict through a combination of flexible tools. Extensive research reports and ongoing oversight of these programs have concluded that the use of cash and vouchers to supplement aid have the same level of safeguards as the distribution of in-kind aid. Increasing the tools available would only expand, extend, and multiply their impact and influence.

Cargo preference laws also limit the potential success of the programs by diverting funding to transportation cost and away from beneficiaries. GAO reported the elimination of cargo preference would save $44.9 million at USAID and would save $62.2 million at USDA between 2011 and FY2014.

Reform legislation has been introduced in the Senate and I am hopeful productive dialogue continues in the House. The negotiation of complex issues is never easy, but reform is vital to US efforts. Support for emergency and non-emergency aid and fostering stabile, resilient communities are one means to sustain US national security interests. Populations facing hunger, malnutrition, and desperate poverty with no opportunity for advancement are crippled in their ability to combat rising extremism or terrorism. By fostering growth, health, and production, these nations will become strong allies and support US national security interests. These efforts are not only to sustain America's historic leadership, but to help the hundreds of millions of families that could pull themselves out of poverty if change is enacted.

The Pope's message of compassion and service is a call to action for Catholics and all Americans. We have the ability to help feed, train, support, and lift millions of communities, families, and most especially children, out of a life of hunger and poverty -- if only we heed his call.

Thank you for the opportunity to speak with you today. I look forward to answering your questions.

Chairman ROYCE. Thank you, Dr. Shah.

Dr. Barrett.

STATEMENT OF CHRISTOPHER B. BARRETT, PH.D., DAVID J. NOLAN DIRECTOR, STEPHEN B. AND JANICE G. ASHLEY PROFESSOR, CHARLES H. DYSON SCHOOL OF APPLIED ECONOMICS AND MANAGEMENT, CORNELL UNIVERSITY

Mr. BARRETT. Chairman Royce, honorable members, thank you very much for the opportunity to testify today and to summarize my written remarks. Let me come straight to the point. The body of research on food aid is extraordinarily clear. Restrictions imposed on U.S. international food aid programs waste taxpayer money at great human cost. Relative to the reformed programs operated by other countries, aid agencies, and by private nonprofit agencies, the cost of U.S. food aid are excessive, delivery is slow, and the programs have not kept pace with global emergency needs. And there is no hard evidence that this benefits American agriculture, maritime employment, or military readiness.

No debate remains among serious scholars who have studied the issue. U.S. food aid reform is long overdue. U.S. food aid is a limited and declining resource. Inflation adjusted U.S. food aid spending has declined 80 percent since the mid-1960s high. Given limited resources, we simply must be much more strategic in using U.S. food aid resources.

Four statutory restrictions imposed on these programs waste money and cost lives. First, under the Food for Peace Act, it is required that agricultural commodities be bought in and shipped from the United States only. Perhaps that made sense back in 1954 for the reasons Secretary Glickman explained. But today things are different. The government no longer holds large commodity stocks and the resulting surplus disposal purpose no longer applies.

Today, the most effective way to help hungry people is to provide them with cash or electronic transfers or with food purchased locally or regionally, so-called LRP. The peer-reviewed scientific evidence shows very clearly that LRP and cash or electronic transfers save time, money, and lives, while providing food that is equally safe and healthy and is in fact preferred by recipients over commodities shipped from the U.S. I go into further detail in my written comments.

Second, at least 50 percent of U.S. food aid must be shipped on U.S.-flagged vessels under cargo preference provisions. Recent studies find that cargo preference inflates ocean freight costs by 23 to 46 percent relative to open market freight rates. The net result is $40 million to $50 million a year that is appropriated to help feed starving children that instead turns into windfall profits diverted to mainly foreign shipping lines.

Third, at least 15 percent of non-emergency food aid must be monetized under current law. As the previous witnesses have explained, monetization is simply a waste of money. GAO estimates that inefficiency in monetization reduces the funding available for development projects by more than $70 million annually.

Fourth, current law requires that between 20 and 30 percent of Food for Peace funding and no less than $350 million be available for non-emergency food aid. But with the number of people affected

by disasters and war at an all-time high, there is simply insufficient food aid available to handle all the emergencies we face, where the bang for the food aid buck is greatest. That hard earmark is binding and limits America's capacity to respond to humanitarian emergencies around the world.

Cumulatively, American taxpayers spend far more on shipping and handling than on food. Every taxpayer dollar spent on U.S. food aid generates only 35 to 40 cents worth of food commodity purchased. That doesn't go to hungry and disaster-affected people, two-thirds of it is going elsewhere. Canada, by contrast, has no such restrictions and makes far more extensive use of LRP cash and electronic transfers. As a result, its taxpayers get roughly twice as much food for the taxpayer dollar, about 70 cents worth, as compared to our 35 to 40 cents.

And what are the costs, the human costs of these wasteful restrictions on food aid? A very coarse, conservative estimate is that we sacrifice 40 to 45,000 children's lives each year because of the unnecessary costs associated with restriction that is posed by antiquated food aid policies.

Now special interests claim that cargo preference advances military readiness. But that myth has been conclusively exploded by multiple careful recent studies that find the overwhelming majority of the agricultural cargo preference fleet is out of date and fails to satisfy DoD standards of military usefulness. In 60-plus years of cargo preference, DoD has not once mobilized a mariner or a vessel from the non-Maritime Security Program cargo preference fleet. Hence, the Department of Defense and Homeland Security's clear support for food aid reform in recent years.

Proponents of the status quo also advance claims of maritime employment benefits. Yet, the 2012 reduction in cargo preference coverage from 75 percent to 50 percent does not appear to have led to the ceasing of a single vessel's ocean freight services or the loss of any mariner jobs. And this type of indirect subsidy is so inefficient that any maritime job created comes at a taxpayer cost of roughly $100,000 a year.

Moreover, the bulk of those windfall profits don't accrue to workers, they accrue to vessel owners, and a sizeable majority of the vessel owners are actually foreign shipping lines running U.S. subsidiaries. So these windfall profits aren't even accruing to Americans.

Some proponents of in-kind food aid claim that food aid purchased in the U.S. somehow helps American farmers. Secretary Glickman, I think, has addressed this quite well already, but there is not a single careful study that supports the claim that U.S. food aid helps American farmers. The simple fact is that U.S. food aid programs procure only hundreds of million dollars' worth of U.S. commodities in a several-hundred-billion-dollar U.S. agricultural economy that is very tightly integrated into a $4-trillion global market. U.S. food aid does not determine the prices farmers receive. The global market determines the prices farmers receive.

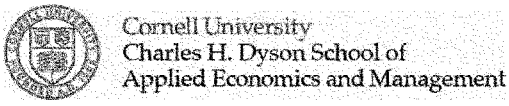
U.S. food aid has done lots of good in 60-plus years. It is an incredibly valuable resource for humanitarian response. It is a highly visible symbol of Americans' commitment to feed the world's hungry. But we can do better. We could do much better if Congress will

provide the USAID Administrator and the Secretary of Agriculture with the flexibility to employ best practices through four reforms.

First, relax the restriction against cash-based international food assistance; second, eliminate the statutory minimum on monetization of non-emergency food aid; third, eliminate the hard earmark that protects less productive non-emergency food aid over emergency assistance; and fourth, eliminate cargo preference.

Honorable members, you have a choice. You can keep the status quo and keep diverting U.S. taxpayer money from disaster-affected children to foreign companies, or you can enact changes that will help save the world's hungry far more efficiently, effectively and quickly. Thank you very much for your time and attention and for taking up this very valuable activity.

[The prepared statement of Mr. Barrett follows:]



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Testimony before the House Committee on Foreign Affairs
Hearing on "Reforming Food Aid: Desperate Need to Do Better"
October 7, 2015
Room 2172, Rayburn House Office Building

Chairman Royce, Ranking Member Engel, honorable Members of the Committee:

Thank you for the opportunity to testify today and to summarize what the best recent research tells us about current United States food aid policies and alternative approaches to addressing global food insecurity. My name is Chris Barrett. I am a Professor of Applied Economics and Management and serve as Director of the Charles H. Dyson School at Cornell University, one of the nation's leading undergraduate business schools. I have studied United States (US) and global food aid policies for more than 20 years, including publishing more than two dozen peer-reviewed journal articles and three books on the topic.[1]

The body of research on food aid is extraordinarily clear. Restrictions imposed on US international food aid programs waste taxpayer money at great human cost. Relative to the reformed food assistance programs operated by other countries and by private non-profit agencies, the costs of US food aid are excessive, delivery is slow, and the programs have not kept pace with global emergency needs. And there is no hard evidence of benefits to American agriculture, maritime employment or military readiness. No debate remains among serious scholars who have studied the issue: US food aid reform is long overdue.

It is important to recognize that US food aid is a limited and declining resource. Inflation-adjusted US international food assistance spending has declined 80% since the mid-1960s high.[2] Given limited resources, the US must be far more strategic with its international food assistance budget in helping the roughly 800 million people who are undernourished,[3] much less the billions – including half the world's children ages six months to five years – who suffer mineral

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[1] Christopher B. Barrett and Daniel G. Maxwell (2005), *Food Aid After Fifty Years: Recasting Its Role* (London: Routledge); Christopher B. Barrett, Andrea Binder and Julia Steets, editors (2011), *Uniting on Food Assistance: The Case for Transatlantic Cooperation* (London: Routledge); Christopher B. Barrett, editor (2013), *Food Security and Sociopolitical Stability* (Oxford: Oxford University Press).
[2] Randy Schnepf, *U.S. International Food Aid Programs: Background and Issues*. Congressional Research Service report R41072, April 2015.
[3] Food and Agriculture Organization of the United Nations, *The State of Food Insecurity in the World 2015* (Rome: FAO).

and vitamin deficiencies that harm their health and cognitive development, often irreversibly.[4] Disasters occur with greater frequency than ever before and cost an estimated 42 million human life years annually, mostly in low- and middle-income countries.[5] The number of refugees and displaced persons worldwide is now the highest on record,[6] yet the World Food Programme is chronically underfunded relative to the emergency needs to which it responds and has had to cut aid to refugees from, among others, Somalia, South Sudan and Syria. And that's just the countries with names that start with an S. We must concentrate scarce food assistance resources where they have the greatest impact and avoid needless waste that costs lives. Hence the need to reform US food aid programs.

Statutory restrictions imposed on US international food aid programs waste money and cost lives. There are four main sources of deadly waste.

First, under the Food For Peace Act (FFPA), first authorized in 1954 and commonly known as PL480, all agricultural commodities must be bought in the United States and shipped to recipients abroad. That restriction perhaps made sense in 1954, when the US government ran generous grain price support programs that resulted in massive government held surpluses that were cheaper to dispose of abroad than to store. But those programs unwound in a succession of Farm Bills from 1985 to 1996 so that the government no longer holds large commodities stocks and the resulting surplus disposal purpose no longer applies.

The most efficient way to help hungry people abroad access food is typically to provide them with cash or electronic transfers, or with food purchased locally or regionally, so-called LRP (for local and regional procurement). This common sense practice is now global best practice employed by all major donors' food aid programs, *except the United States*. The peer-reviewed scientific evidence shows very clearly that, far more often than not, LRP and cash or electronic transfers save time, money and lives, while providing foods that are equally healthy and safe and are preferred by recipients over commodities shipped from the US.[7]

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[4] *Investing in the future: A united call to action on vitamin and mineral deficiencies. Global Report 2009* (Ottawa: The Micronutrient Initiative). Christopher B. Barrett and Leah E.M. Bevis (2015), "The Micronutrient Deficiencies Challenge in African Food Systems," in David E. Sahn, editor, *The Fight Against Hunger and Malnutrition: The Role of Food, Agriculture, and Targeted Policies* (New York: Oxford University Press).

[5] United Nations Office for Disaster Risk Reduction (2015). *Making Development Sustainable: The Future of Disaster Risk Management. Global Assessment Report on Disaster Risk Reduction* (Geneva: UNISDR) .

[6] United Nations High Commissioner for Refugees (2015), *World At War: Global Trends, Forced Displacement in 2014* (Geneva: UNHCR).

[7] Erin C. Lentz, Christopher B. Barrett, Miguel I. Gomez and Daniel G. Maxwell (2013), "On The Choice and Impacts of Innovative International Food Assistance Instruments," *World Development* 49(9): 1-8; William J. Violette, Aurélie P. Harou, Joanna B. Upton, Samuel D. Bell, Christopher B. Barrett, Miguel I. Gómez and Erin C. Lentz (2013), "Recipients' Satisfaction with Locally Procured Food Aid Rations: Comparative Evidence From A Three Country Matched Survey," *World Development* 49(9):30-43. Erin C. Lentz, Simone Passarelli, Christopher B. Barrett (2013), "The Timeliness and Cost-Effectiveness of the Local and Regional Procurement of Food Aid," *World Development*, 49(9): 9-18; Aurélie P. Harou, Joanna B. Upton, Erin C. Lentz, Christopher B. Barrett, and Miguel I. Gómez (2013), "Tradeoffs or Synergies? Assessing local and regional food aid procurement through case studies in Burkina Faso and Guatemala," *World Development* 49(9): 44-57; US Government Accountability Office (GAO) (2009), International Food Assistance: Local and Regional Procurement Can Enhance the Efficiency of U.S. Food Aid, but Challenges May Constrain Its Implementation, GAO-09-570

For example, a nine-country study found that, on average, the cost savings for grains purchased locally relative to grains purchased within the United States was 53%. For pulses and legumes, the average savings was 25%.[8] LRP is not the answer everywhere; but in order to use taxpayer dollars effectively to relieve human suffering associated with acute malnutrition, food aid managers must have the flexibility to use LRP, cash and electronic transfers as well as in-kind shipments from the US.

The same study, confirming other findings, also reported that on average LRP, cash, or vouchers reduced food aid delivery times by 14 weeks relative to transoceanic food aid, even more when shipping to landlocked countries.[9] Increasing the timeliness is particularly important for food insecure children because the first thousand days of a child's pre- and post-natal existence—from conception until the second birthday—is the most critical window for nutrition during a person's life. A huge body of research has conclusively established that timely and effective intervention to ensure good nutrition and health during the first thousand days yields enormous benefits throughout the life course: higher educational attainment, increased physical stature, improved health, higher adult earnings, and healthier offspring.[10] Saving 14 weeks – 10% of the first thousand days – in the delivery of food assistance can have a substantial, lifelong effect on human capital development, with important and significant long-term implications for economic growth and poverty reduction. In Burkina Faso school feeding programs, locally procured rations delivered more fat and protein, at 38% lower cost per child, than did the rations shipped from the US. [11] That makes a huge difference. Yet, despite the rigorously documented gains that come from LRP, the Congress has yet to appropriate a penny for the unnecessarily small USDA LRP Program authorized for the first time in the 2014 Farm Bill.

Second, at least 50% of US food aid must be shipped on US flagged vessels under cargo preference provisions. This policy, like most anti-competition regulatory restrictions, drives up costs. A raft of recent studies have consistently found that cargo preference inflates ocean freight costs by 23-46% relative to open market freight rates.[12] USAID and USDA are no longer reimbursed for any of these excess costs. The net result is that $40-50 million appropriated each year to feed starving children gets diverted to windfall profits to (mainly foreign) shipping lines (on which, more below). Therefore, once the cargo preference restriction was lowered from 75%

[8] Lentz, Passarelli, and Barrett (2013).
[9] Lentz, Passarelli and Barrett (2013), GAO (2009); Barrett and Maxwell (2005).
[10] Black, Robert E., Cesar G. Victora, Susan P. Walker, Zulfiqar A. Bhutta, Parul Christian, Mercedes De Onis, Majid Ezzati, Sally Grantham-McGregor, Joanne Katz, Reynaldo Martorell and Ricardo Uauy (2013), "Maternal and child undernutrition and overweight in low-income and middle-income countries." *Lancet* 382 (9890): 427-451; Black, Robert E., Lindsay H. Allen, Zulfiqar A. Bhutta, Laura E. Caulfield, Mercedes De Onis, Majid Ezzati, Colin Mathers, Juan Rivera, and Maternal and Child Undernutrition Study Group (2008). "Maternal and child undernutrition: global and regional exposures and health consequences." *Lancet* 371(9608): 243-260.
[11] Harou et al. (2013).
[12] Elizabeth R. Bageant, Christopher B. Barrett and Erin C. Lentz (2010), "Food Aid and Agricultural Cargo Preference," *Applied Economic Perspectives and Policy* 32(4): 624-641; Phillip J. Thomas and Wayne H. Ferris (2015), *Food Aid Reforms Will Not Significantly Affect Shipping Industry or Surge Fleet*, George Mason University report; US Government Accountability Office (2015), *International Food Assistance: Cargo Preference Increases Food Aid Shipping Costs, and Benefits Are Unclear*, GAO 15-666; Stephanie Mercier and Vincent Smith (2015), *Military Readiness and Food Aid Cargo Preference: Many Costs and Few Benefits* (Washington: American Enterprise Institute)

to 50% in July 2012, USAID immediately increased substantially its shipments on foreign-flagged vessels in order to save money and better assist the hungry.[13]

Third, by law at least 15% of non-emergency food aid must be monetized, the practice of selling donated US commodities in recipient country government. Monetization is a wasteful practice.[14] Open market monetization uses a taxpayer dollar to purchase food and international freight services in order to convert it back into 70-75 cents when the food is sold – 'monetized' – in a recipient country market. Put simply, monetization loses money for no benefit. GAO estimated that the inefficiency of the monetization process reduced funding available for development projects by more than $70 million annually. To the Congress' credit, the 2014 Farm Bill increased section 202e cash funding to cover the non-commodity costs associated with food aid deliveries, effectively removing the need for operational agencies to monetize Title II food aid beyond the statutory minimum. But that minimum still generates significant inefficiencies. And USDA Food for Progress resources remain heavily monetized.

Furthermore, monetization can also destabilize commodity markets in recipient countries.[15] This undermines the productivity and commercial viability of the very farmers, traders and processors the monetization-supported programs aim to help.

Fourth, current law requires that between 20 and 30% of FFPA funding, and no less than $350 million, be available for non-emergency food aid. Most non-emergency food aid projects are probably very beneficial. But that's the wrong standard to use. The right question to ask is whether non-emergency food aid is the *best possible* use of those resources. And the answer is either 'no' or, at best, 'it depends'.[16] In emergencies, timely response matters, as reflected in the Golden Hour principle of emergency medicine, that rapid intervention is needed in response to trauma. With the number of people affected by disasters and war at an all-time high and budgets tight, there is insufficient food aid available to handle emergencies, where the bang for the food aid buck is greatest. Had Super Typhoon Haiyan struck the Philippines two months earlier in 2013, before the close of the federal fiscal year rather than at the start of the next one, the US government would have been unable to tap FFPA resources to respond because the non-emergency minimum was binding.

Effective disaster response requires flexibility in funding. Until this hard earmark on non-emergency food aid was introduced with the 2008 Farm Bill, the USAID administrator had authority to use as much of the total food aid budget for emergency needs as is necessary to respond to humanitarian disasters, and exercised that authority in each of the previous 20-plus

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[13] GAO (2015).

[14] Christopher B. Barrett and Erin C. Lentz, *U.S. Monetization Policy: Recommendations for Improvement*, Chicago Council on Global Affairs Policy Development Study Series, December 2009; GAO (2011), *International Food Assistance: Funding Development Projects through the Purchase, Shipment, and Sale of U.S. Commodities Is Inefficient and Can Cause Adverse Market Impacts*, GAO-11-636.

[15] Teevrat Garg, Christopher B. Barrett, Miguel I. Gómez, Erin C. Lentz, and William Violette (2013), "Market Prices and Food Aid Local and Regional Procurement and Distribution: A Multi-Country Analysis," *World Development* 49(9): 19-29.

[16] Barrett and Maxwell (2005).

years to address underfunded disasters. This necessarily diverted funds from desirable non-emergency food aid projects that build rural roads, provide school lunches or enhance small farmers' productivity. But saving lives and preventing disaster victims' collapse into poverty traps is the first-best use of food aid; so such tradeoffs are unfortunately necessary sometimes.

The four sources of economic waste – (1) lack of flexibility to use cash-based programming, (2) cargo preference, (3) the statutory minimum on monetization, and (4) earmarks for non-emergency programs – result in great cumulative economic and human costs. American taxpayers spend far more on shipping and handling than on food. Every tax dollar spent on US food aid yields only 35-40 cents of food commodities available to hungry or disaster-affected people.[17] Canada has no such restrictions and makes far more extensive use of LRP, cash, and vouchers. As a result, its taxpayers get roughly twice as much – almost 70 cents' worth of food – from every food aid dollar spent.[18]

And what are the human costs of these wasteful restrictions? It costs roughly $125 per child life-year saved to manage the acute malnutrition that routinely arises in the wake of natural disasters and conflict.[19] Based on conservative, back-of-the-envelope estimates based on the research cited above, the $350-400 million/year wasted on cargo preference, monetization and in-kind shipments where cash-based alternatives would be cheaper, effectively costs at least 3 million child life-years annually. Given global life expectancy at birth of roughly 70 years, a conservative estimate is that we sacrifice 40-45,000 children's lives annually because of antiquated food aid policies.

And what is the Congress buying taxpayers for 3 million child life-years lost annually? Tragically, very little.

The special interests that defend cargo preference claim it advances military readiness. But that myth has been conclusively exploded by multiple careful recent studies that find the overwhelming majority of the agricultural cargo preference fleet is out-of-date and fails to satisfy the Department of Defense standards of militarily usefulness.[20] The Maritime Security Program (MSP) – enacted in 1996 – pays militarily useful vessels $3.1 million per year as essentially a call option on vessel and crew. This meets military sealift requirements. Indeed that the MSP program is underutilized over the past 14 years' intense military engagement overseas, the government-owned Ready Reserve Fleet (RRF) and the MSP fleet have never been fully activated, and only 3 of 46 RRF vessels are currently active.[21] In 60-plus years of cargo preference, the Department of Defense has *not once* mobilized a mariner or vessel from the non-

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[17] USAID (2014), *Food for Peace: Behind the Numbers;* GAO(2014), *International Food Aid: Better Agency Collaboration Needed to Assess and Improve Emergency Food Aid Procurement System,* GAO-14-22.
[18] Erin C. Lentz and Christopher B. Barrett (2014), "The Negligible Welfare Effects of the International Food Aid Provisions in the 2014 Farm Bill," *Choices* 29(3): http://www.choicesmagazine.org/magazine/pdf/cmsarticle_386.pdf.
[19] Bhutta, Zulfiqar A., Jai K. Das, Arjumand Rizvi, Michelle F. Gaffey, Neff Walker, Susan Horton, Patrick Webb, Anna Lartey, Robert E. Black (2013). "Evidence-based interventions for improvement of maternal and child nutrition: what can be done and at what cost?" *Lancet* 382(9890): 452-477.
[20] Bageant et al. (2010), Thomas and Ferris (2015), GAO (2015), Mercier and Smith (2015).
[21] GAO (2015).

MSP cargo preference fleet despite a dozen or more foreign campaigns by the US military, several of them – like Vietnam, Iraq and Afghanistan – sustained and intense. MSP provides a far more effective and efficient means of ensuring adequate military sealift capacity than a cargo preference system that mainly rewards the (largely foreign) owners of non-militarily useful ships that sail under a US flag expressly to tap the profits generated by anti-competition regulatory restrictions. Hence the Departments of Defense and Homeland Security's clear support in recent years for food aid reforms.[22]

Proponents of the status quo also advance claims of employment effects based on absurd assumptions of economic multipliers and that no alternative employers exist. Yet, the 2012 reforms that reduced cargo preference coverage from 75% to 50% do not appear to have led to a single vessel ceasing ocean freight service nor to the loss of any mariner jobs. And this type of indirect subsidy is so inefficient that any job created comes at a taxpayer cost of about $100,000.[23] Are you willing to trade 11 or 12 children's lives for a single job?

Moreover, elementary economics tells us that the bulk of those windfall profits accrue not to workers who can move across sectors but rather to the owners of the fixed factors of production, that is, to vessel owners. The industry refuses to make available to researchers the data necessary to make credible estimates of the likely employment effects of relaxing current restrictions on US food aid. But the small number – hundreds – of mariners who hypothetically could be affected by food aid reforms – could be readily absorbed by one of the more than 38,000 US flagged coastal freight vessels operating under the Jones Act.[24] Furthermore, most cargo preference vessels are ultimately owned by foreign corporations. Vessels owned by just three foreign shipping lines that control US subsidiaries – the A.P. Moller-Maersk Group from Denmark, Neptune-Orient Lines from Singapore, and Hapag-Lloyd of Germany – accounted for 45% of all food aid carried by US flagged ships from 2012 through mid-2015.[25] So the profiteers from anti-competitive statutory restrictions on US food aid are not even American.

Some proponents of in-kind food aid claim that food aid purchase in the United States somehow helps American farmers. There is not a single careful study that supports such a claim. The simple fact is that US food aid programs procure hundreds of millions of dollars' worth of commodities in a several hundred billion dollar US agricultural industry that is tightly integrated into a nearly $4 trillion global agricultural economy. US food aid is a drop in the ocean of the global agricultural market. Food aid procurement has no effect on the prices farmers receive, even for the commodities (such as sorghum, lentils, dried beans or peas), for which US food aid programs absorb five percent or more of domestic production.[26] Farm prices are set by global markets.

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[22] US Department of Homeland Security letter dated April 17, 2014 (http://www.scribd.com/doc/220264499/DHS-Coast-Guard-Letter, accessed October 4, 2015); Undersecretary of Defense letter dated June 18, 2013 (https://www.documentcloud.org/documents/814075-pentagon-letter-on-food-aid-reform.html, accessed October 4, 2015).
[23] Bageant et al. (2010).
[24] Maritime Administration estimate: http://www.marad.dot.gov/ships-and-shipping/domestic-shipping/ (accessed October 4, 2015).
[25] Mercier and Smith (2015).
[26] Mercier and Smith (2015).

In an alarmist last ditch attempt to save the restrictions that generate windfall gains for them, some proponents of the status quo claim that purchasing food abroad under cash-based programs compromises food safety and quality. This conjecture is false. A careful recent study in Burkina Faso found the quality and safety of locally procured commodities was equal to or better than that of commodities shipped from the United States.[27] Why? As any chef or trader knows, it is intrinsically easier to assure food quality and safety when one can inspect – and reject substandard – shipments before paying the vendor. Spoilage is commonplace in trans-oceanic shipments, for which replacement deliveries are effectively impossible (and expensive). Consumer satisfaction surveys among food aid recipients in multiple countries likewise find no advantage from commodities shipped from the US over those locally procured.[28]

Another myth is that cash-based food aid programs are somehow more vulnerable to theft and corruption, although not a shred of serious evidence exists to support this claim. Modern cash-based food assistance programs routinely make use of advanced biometric sensors to confirm recipients' identity. High rates of loss of food shipments have been commonplace, especially in programs that serve conflicted-affected populations. Hence USAID's reliance on cash-based programs funded by the International Disaster Assistance account to serve Syrian refugees. The same logic that leads most of us to send checks rather than bags of rice to CARE, Catholic Relief Services, World Vision, etc. – that it is at least as safe, more flexible, and is cheaper and faster to deliver – should guide US food aid policy.

So what should the Congress do? US food aid has done lots of good in 60-plus years. US food aid is a highly visible symbol of Americans' commitment to feed the world's hungry. But we can do better if the Congress gives the USAID Administrator and Secretary of Agriculture the flexibility to employ current best practices through four reforms: Eliminate (1) the restriction against cash-based international food assistance, (2) the statutory minimum on monetization of non-emergency food aid, (3) the hard earmark that protects less productive non-emergency food aid over emergency assistance, and (4) cargo preference. Honorable members, you have a choice. You can keep the status quo – and keep diverting US taxpayer money from disaster-affected children to foreign companies. Or you can enact changes that will far better serve the world's hungry.

[27] Harou et al. (2013).
[28] Violette et al. (2013).

Chairman ROYCE. Thank you.

Reverend Beckmann. David, if you just hit that red button.

STATEMENT OF THE REVEREND DAVID BECKMANN, PRESIDENT, BREAD FOR THE WORLD

Rev. BECKMANN. Thank you, Chairman Royce and members of the committee. Bread for the World is a nationwide network of individuals and churches and church bodies that encourage Congress to do things that will help hungry people in our country and around the world. And I want to thank this committee for your leadership on this issue of food aid reform, also on the related but separate issue of the Global Food Security Act. I think they should be kept separate. But in both of these, these are both areas of legislation that are clearly important to the world's continued progress against hunger and I am grateful.

In my written testimony I explain why Bread for the World supports the things we are talking about here, more flexibility for local, regional purpose, loosening the cargo preference restrictions, and eliminating monetization. I just think the evidence is so clear that if we could have reform of food aid we would have more efficient, more effective food assistance. In my oral testimony I would like to focus on the relationship of food aid to three broader concerns. The first one is the current surge in humanitarian need. Most of this is because of the war in Syria, but there is also severe humanitarian need in Iraq, Yemen, Sudan, Central African Republic. The resources are just not keeping up with the need.

I am struck that we are cutting back on food rations for Syrian refugees. Just from a national security point of view, it does not make sense to cut back on food ration for Syrian refugees. And food aid reform is one way of stretching our dollars to meet the increased need that we face right now for humanitarian assistance.

I would also like to talk about the connection of food aid to American agriculture. I grew up in Nebraska. In fact, I just flew back from a visit to my family in Nebraska. So I share in the sense, the deep sense of satisfaction, almost a religious sense of connection between the production of food in this country and the needs of hungry people in our country and around the world.

But food aid isn't any longer economically important to American agriculture. What is important to American agriculture is the fact that the world is making dramatic progress against hunger and extreme poverty. The escape of hundreds of millions people from extreme poverty means that there are a lot more people in the world who are eating, eating adequately, and that creates an expanding and dynamic market for U.S. agriculture. So I think that is the basis for the ongoing and continuing alliance between U.S. agricultural community and the interests of hungry people in our country and around the world.

There have been questions raised about committee jurisdiction. That is important, but it is not pressing in the same way that reform of the programs is pressing, and so I hope you can handle that question of committee jurisdiction in a way that doesn't hold up the reform process.

Finally, I want to talk about food aid reform in relationship to the world's extraordinary progress against hunger, poverty and dis-

ease. I am a preacher, so I think this progress that is happening is an experience of our loving God in our own history.

When the Pope was here, as Raj said, he talked a lot about people in need. When he talked to Congress he specifically celebrated the progress that the world is now making against poverty. And he said, "The fight against poverty and hunger must be fought constantly and on many fronts." Reforming food aid is one way to fight hunger, and using it as one way to move toward the virtual hunger in our times is certainly sacred business.

[The prepared statement of Rev. Beckmann follows:]

Testimony to the Foreign Affairs Committee
U.S. House of Representatives
Hearing--Reforming Food Aid: Desperate Need to Do Better

October 7, 2015

Respectfully submitted by
Rev. David Beckmann
President, Bread for the World

Chairman Royce, Ranking Member Engel, members of the committee, thank you for this opportunity to testify. Even more, thank you for your leadership in making U.S. food aid more efficient and effective. I also appreciate your leadership on the Global Food Security Act. Food aid reform and investments that strengthen agriculture and nutrition in poor countries are separate issues, and should be kept separate, but both are important to the reduction of world hunger.

I am David Beckmann, president of Bread for the World, a collective Christian voice urging our nation's decision makers to end hunger at home and abroad. Our network of thousands of members, congregations, and church bodies works together to encourage Congress and the President to do their part to help end hunger in our country and around the world.

In this testimony, I want to help make the case for several reforms in U.S. food aid and then talk about the relationship of this issue to three broader concerns – the global humanitarian crisis, U.S. agriculture, and the possibility of virtually ending hunger in our time.

U.S. food aid is important to many of the world's most desperate people. It saves many lives. But there are several ways to make U.S. food aid more efficient and effective.

First, we should further increase the flexibility of food aid. Current law requires nearly all of food aid to be commodities produced in the United States, but this is not always the best way to help. For example, it's much better to give Syrian refugees in Jordan debit cards to purchase food in local grocery stores than to ship bags of food from the United States. Bags of food for refugees would add to local resentments, while allowing them to be customers in local stores makes them more welcome. In situations of emergency, the delays involved in shipping food around the world are sometimes a big problem. Even short bouts of hunger for children can have devastating lifelong consequences, so additional flexibility can allow nutritionally appropriate foods to reach pregnant women, new mothers, infants and young children. Also, food shipped in from outside can sometimes frustrate the development of food production by local farmers.

A GAO study and a congressionally-mandated study by Management Systems International both found that local and regional procurement reduces costs by 25 percent.

A Cornell University study found savings of more than 50 percent in some cases, along with a 62 percent gain in timeliness of delivery. So Congress should allow more flexibility for local and regional procurement, including the use of vouchers and cash transfers.

Second, Congress should loosen Cargo Preference restrictions. The law now requires at least 50 percent of all food aid to be shipped on U.S. flag vessels. But the American Enterprise Institute has recently shown that these restrictions wasted more than $140 million between January 2012 and May 2015. So Congress should ensure the viability of the U.S. merchant marine on its own merits, not with a subsidy that, in effect, takes food away from hungry people.

Third, Congress should eliminate the practice of monetization. It is inefficient to fund projects in poor countries by shipping and selling U.S. food in local markets. A recent GAO study found that monetization loses 25 cents on every taxpayer dollar. According to USAID, eliminating monetization could free up $30 million per year and feed an additional 800,000 people.

We are currently faced with a global humanitarian crisis. This makes food aid even more urgent. The surge in humanitarian need is mainly because of the war in Syria, but there are also severe humanitarian situations in Yemen, Iraq, Central African Republican Republic, and South Sudan. People in the West have become more aware of the humanitarian crisis because of all the refugees who are coming into Europe, but the people left behind in and around Syria and in violence-torn regions of Africa are typically even more desperate.

I am grateful that Congress has supported funding for food aid and other humanitarian assistance, but funding has not kept up with need. The World Food Program has had to cut back on food rations for Syrian refugees. From a U.S. national security perspective, it is not smart to cut back on food rations for Syrian refugees. Food aid reform offers the opportunity to provide more assistance with available dollars.

Let me also talk about the relationship of food aid to U.S. agriculture. I grew up in Nebraska and, in fact, spent the last few days with family in Nebraska. I understand that farmers and other people involved in U.S. agriculture are proud of their role in feeding our nation and the world, and the agricultural community has provided powerful political support for U.S. food aid.

But food aid accounts for only one-half of one percent of U.S. agricultural exports. It is not economically important to U.S. agriculture. On the other hand, the dramatic progress that the world as a whole is making against hunger and extreme poverty provide an important and dynamic market for U.S. agriculture.

Most of the farmers I know are conservative, church-going people. If they understand that food aid reform can improve the efficiency of government spending and reach more hungry people with our tax dollars, they support food aid reform. If they understand that

food aid reform will also contribute to progress against hunger and, thus, growing markets for U.S. agriculture, they will certainly support food aid reform.

The question of committee jurisdictions here in Congress should not hold up the reform process. Neither of the committees concerned should hold up help for hungry people to over the question of jurisdiction.

Finally, I want to talk about the possibility of dramatically reducing – even ending – hunger in our time. The world has been making unprecedented progress against hunger, poverty, and disease over the last few decades. Despite the current surge in humanitarian need, the global trend toward ending hunger still continues.

I'm a preacher, so I see this great liberation as an example of our loving God at work in the world and believe that God is calling on us to contribute to it.

When Pope Francis addressed Congress late last month, he said this:

> "How much has been done in these first years of the third millennium to raise people out of extreme poverty! I know that you share my conviction that much more still needs to be done . . . The fight against poverty and hunger must be fought constantly and on many fronts, especially in its causes."

Reforming food aid is one way to fight hunger, and fighting hunger is sacred business.

Chairman ROYCE. Thank you, David.

Rev. BECKMANN. Thank you.

Chairman ROYCE. We will go now to Mr. Eliot Engel for his opening statement.

Mr. ENGEL. Thank you. Thank you, Mr. Chairman and thank you for calling this hearing. And, as the ranking member, I want to just say that this is another wonderful example of the bipartisanship of the Foreign Affairs Committee. Thank you for bringing the committee's focus to the pressing need to reform our food aid program.

And we are fortunate of course, and we have heard from them, to have a panel of experts who have dealt with this issue inside government and the NGO world and academic settings. So I want to say to all our witnesses, thank you for sharing your views and welcome to the Foreign Affairs Committee.

I want to single out Dr. Shah, who I had the pleasure of working with for many years with the USAID, and it is good to see you again Raj and welcome you. And Dan Glickman, who, by the time I came to Congress 27 years ago, was already a rising star in Congress. So actually he was already a star, not even rising, and then served as the distinguished Secretary of Agriculture. And it is really great to see you as well, Dan. Dr. Barrett, Reverend Beckmann, your legend precedes you. So this is just a wonderful panel, and we are so fortunate to have all of you here today.

Let's note at the outset the world is better off because of the Food for Peace program. Since it was launched in the 1950s, this effort has fed more than 1 billion people in more than 150 countries. It has saved countless lives. Food for Peace is something of which we should all be proud.

But we should also be honest. Food for Peace is now showing its age. It was designed to meet challenges in a much different world. For example, the majority of our food aid in developing countries must be bought and shipped from the United States even when local food is available at a lower price. In the 1950s, this made sense. The Federal Government had a massive surplus of food on its hands. Food for Peace was a smart way to help those in need and to prevent needless waste.

But today we don't have that surplus of food. What is more, buying food and transporting it from the U.S. to a crisis zone costs almost 50 percent more than purchasing food products locally. That is not a very good bang for our buck. And when we are talking about feeding hungry people, every little bit obviously counts.

But to make matters worse, under our current program, it takes 4 to 6 months longer for food to reach hungry people than it would if we bought food locally. Raj Shah and I had many of these discussions when he was USAID Administrator. To put it in the simplest terms, the Food for Peace program is slow, it is costly, and it is not doing enough to get food to people who are hungry and dying.

So we need to take a fresh look at this program. After all, even though the world has changed a great deal, obviously the need for food assistance hasn't. A refugee crisis in Syria is spilling from the Middle East into Europe and onto our own shores. A devastating earthquake in Nepal has left thousands in desperate need of help. And of course, with each passing year, we are feeling the far-reaching effects of climate change more and more. Hurricanes and ty-

phoons of unprecedented destructive power, even as historic droughts endanger the global food supply.

So we need to take a fresh look at the program. We need to make sure food aid is tailored to meet the challenges of our time. The administration has put forth suggestions, so have lawmakers. And let me acknowledge Chairman Royce for his leadership in particular on this issue.

The common theme in these proposals is flexibility. Sometimes it will make the most sense to buy American agriculture and to contract with American shippers to get food where it needs to go. Sometimes buying local products will get us the best outcome. We need a program flexible enough to respond in the best way on a case-by-case basis.

Today I am looking forward to hearing our witnesses answer questions. I want to hear the ideas of what this program looks like and the right way to put it together. In particular, I would like to focus on the benefits of a cash-based system versus in-kind commodity donations, on new methods of delivery, and on local and regional procurement programs.

Reforming a longstanding government program is never an easy task, but the need for these changes is clear. It goes back to why we have a food aid program in the first place. Not to subsidize growers, shippers, or NGOs, but to prevent men, women, and children in the developing world from starving to death. So let's work toward building a new program that meets this critical demand in the most efficient and effective way for the American taxpayer.

I yield back, Mr. Chairman. Thank you for your courtesy.

Chairman ROYCE. Thank you, Mr. Engel. Mr. Engel raises the issue, Dr. Shah, of flexibility in this. Maybe you can give us an example of when you were director and how in a given situation a little more flexibility would have gone a long way in terms of responding.

Mr. SHAH. Well, thank you, Mr. Chairman. And I would note what David said. In Syria and in neighboring countries you had a lot of Syrian refugees leaving Syria going into Jordan and Lebanon and they are not living in camps, they are living in neighborhoods and communities. And in that context, physically finding them inside of apartment buildings and in low-income housing situations, and taking to them food or having them come with some special designation to pick up American food is both deeply inefficient, upsetting to everybody else in the neighborhood, and difficult for local businesses that are dependent on the local food economy.

So with the World Food Program we work to let them use, not through Food for Peace but other programs, vouchers that would go to those households. And I met with mothers and children, but the mothers would say, these vouchers—which say from the American people, they have the USAID logo on them—they say these are saving our lives right now. I don't know where my husband is. He may have perished in the fighting inside of Syria, but my four children and I are sustained here because we can take these vouchers to local stores. And by the way, the local merchants and local communities are less upset about the big influx of refugees because they are contributing now to the local economy.

The fact that we have run out of money, basically, for this kind of approach and are now stuck with just commodity food is why you are hearing about the cuts that David highlighted. And to me this is a national security issue. This is the heart of where refugees are pouring from this region into the rest of Europe and elsewhere causing real instability. So we are undermining our own capacity to do what we know is right and has worked, because we don't have the flexibility.

Chairman ROYCE. Let me ask Secretary Glickman, because Dr. Barrett in his testimony said Canada uses a different approach and gets roughly twice the benefit in terms of the amount of food aid on the ground in these situations.

You noted the GAO study that says that shipping food from the U.S. to sub-Saharan Africa took 100 days, on average, longer than procuring food from regional sources in cases of emergency and such, so we are not the only ones providing food aid around the world. Maybe you could share with us how other top donors like Europe and Canada and Japan structure their food aid.

Mr. GLICKMAN. Nobody structures their food aid exactly like we do, that is for sure. But in history, I remember looking at magazines like Time magazine and others, and we advertised that all of this overseas food were American grain going in American bags, and I remember as a kid seeing all of that. You all probably do too as well.

And so the impression was, is that these were important humanitarian products that were moving from a farm in Texas or Oklahoma or Kansas or Ohio or wherever directly to people overseas. And I think that that has had an impact politically, accompanied by the cargo preference thing, to a kind of resistance to wanting to make the programs more flexible. It has almost become ideological or religious in some circles that this is kind of part of the history.

But other countries—Canada is a huge producer of commodities, wheat, corn, cotton; wheat and corn, not so much cotton, but grain sorghum, some soybeans and then legumes and pulse crops and everything else—they have just got a more flexible way of dealing with the problem. They can get their crops there faster. But we still provide half the food in the world, roughly, the United States of America.

Chairman ROYCE. You mentioned also, and maybe I will go to Dr. Barrett for this, the cargo preference vessels being a factor in this. And Dr. Barrett, what is the setup of these corporations? You mentioned that they are not American owned, so how are they able to take advantage of U.S. law in this respect and how does that figure in the calculus here?

Mr. BARRETT. Well, Mr. Chairman, the law requires that the vessels fly a U.S. flag and follow all U.S. laws and regulations. They don't require that the ultimate equity holders be American. And so foreign corporations, three in particular, own at least 45 percent of the U.S. agricultural cargo preference fleet. Foreign corporations can set up U.S. subsidiaries, purchase a vessel, flag it with a U.S. flag, follow all U.S. law, but the profits reaped by those vessels accrue to the subsidiary and pass right on through to the foreign corporation that ultimately holds the subsidiary.

Chairman ROYCE. I see. I see. My time is expired. I need to go to Mr. Engel for his questions.

Mr. ENGEL. Thank you, Mr. Chairman. Let me ask Dr. Shah. There is an ongoing debate over the use of cash-based food assistance, whether it is cash or food vouchers. I obviously knew, as we all know, the benefits, timeliness of food getting to desperate people, and it is less costly to implement. But opponents argue that this is susceptible to fraud.

Let me ask you, with retina and other biometric scans and mobile tracking data and other technologies, how secure is a cash-based system? We hear of success stories like the one in Zaatari, refugee camps in Jordan. There is a market where people can buy and select their food, giving them some semblance of dignity. Aren't we one of the few remaining major donor countries to hold on to an in-kind food donation system?

Mr. SHAH. Well, thank you. And yes, we are the only major donor that continues to send our food as opposed to our resources, and that impinges the capacity to be successful for all of the implementing partners. I would note on security of electronic vouchers and paper vouchers, at this point we now have 8 years of history doing this.

So before it was debatable to say, "Oh, is this going to be less secure or less effective?" What we now know is that this is probably more secure because you can target the household. You don't get convoys being attacked, because you are not sending convoys of cash; you are sending an electronic payment through a secure system to a vulnerable household.

And by the way, the alternative is that food shipments are often attacked, and that speaks to the security risks of doing this work in increasingly challenging conflict-affected environments. So there really is no debate anymore about is this more secure, less secure. It is clearly as or more secure.

There is also no debate about is it effective or less effective. It is far more effective. It is certainly more efficient, but it also allows us to do a better job of targeting the most vulnerable families and children within a community. And that was basically the example of Somalia. It is like once you had that targeting done well you could make a huge, huge difference in a child's death through a famine very, very, very quickly. And you would never be able to do that if you had the physical responsibility of providing people with actual food that came from the United States.

Mr. ENGEL. Thank you. Let me ask Secretary Glickman. When the Food for Peace program was initiated back in the 1950s, obviously the landscape for American food aid was much different than it is today. There were high agricultural surpluses, low prices that were threatening the security of U.S. farmers. The U.S. shipping industry was in decline and food needs around the world were ever increasing.

What is different now, and, in your opinion, why would reform be a big plus for American agriculture?

Mr. GLICKMAN. Surpluses of the major commodity crops are no longer nearly as great. There are still some crops with surpluses episodically, periodically, but overall we are dealing with supply and demand in the world. As Dr. Barrett talked about, a global

world which is much more in sync and in equilibrium. So therefore the need to use surpluses to, let's say, bring down supplies to get price up is no longer anywhere near what it was before. And it probably has no impact on the price, also as Dr. Barrett says. These are global markets and the amount of food aid in the total amount of exports of corn and wheat and sorghum particularly is extraordinarily small.

Mr. ENGEL. Thank you. Let me get back to Dr. Shah. Dr. Shah, you and I during the Haiti crisis talked a great deal about what we should do in Haiti, and I visited there a number of times and we talked about this. So the earthquake there really impacted us all.

The people of the region obviously are still suffering from the destruction today. I have seen firsthand how the sale of American rice under the Food for Peace program there drove the local rice farmers out of business, making it harder for the Haitians to feed themselves. So if we had enacted the reforms to food aid before the earthquake hit Haiti 5 years ago, how would our response to this tragedy have been better and how would it have been different in other disaster situations?

Mr. SHAH. Well, we have a very specific answer to that question because as a result of using non-Food for Peace assistance tools and shutting down Food for Peace, American food handouts, and monetization in particular, we were able to basically test and answer exactly what would happen. And we saw what would happen. We have seen a more than doubling of farm production in Haiti as a result of taking away the dumping of American food and enabling and supporting those farmers to have access to better science and technology through Feed the Future.

We have seen voucher programs like the one implemented by CARE International that target the most vulnerable households and children, give them a biometrically secure card, as you point out, and then allow their children to get access to the kinds of foods people need when they are malnourished. Not just bags of rice, which as we know has very limited total nutritional value for a starving child.

And the result has been proven in the Demographic and Health Survey, which is by far, it is frankly the only, it is also the best actual survey out there to tell you what is happening, and acute malnutrition in Haiti is 50 percent lower today amongst children than it was the day before the earthquake.

This could happen everywhere we do the work if we had food aid reform because we know we have the science, we have the technology, we have the know-how, and frankly we have the capacity to study the impacts and we know how to do this. It is just the program was designed 60 years ago and we keep doing the same things we did 60 years ago.

Mr. ENGEL. Let me just, with the chairman's indulgence, pivot it back to Secretary Glickman about this. Critics argue that buying food in-country instead of delivering U.S. commodities actually undermines the message of U.S. generosity and goodwill for those in need. So I don't believe that but I want to hear what you believe. Do you believe that USAID can still send the message that the U.S. is a partner for development and here to help those in need

around the world while being more flexible in how it spends U.S. food assistance dollars?

Mr. GLICKMAN. I do. Saying that, I think that I am not one that would eliminate in-kind assistance totally, because I think there is a role for U.S. commodities when it can't be purchased locally and/or when the voucher program doesn't work or you have these imminent emergencies like we had in Haiti or other places.

However, American generosity is real. Just one example on this conference we went in Tanzania that Congresswoman Bass went with me on. What struck me about this was the positive feelings about the United States of America. There is Chinese investment all over Tanzania, mostly in infrastructure, but some in agriculture and some in sanitation and water, but mostly in infrastructure.

And yet, the clear acknowledgment from people we went to was American generosity writ large is profoundly agreed to, well respected, and it is one of the few places in the world I have been to where I honestly believe we are very popular in terms of what we do. And I think in large part that is due to the totality of American assistance in health, which is a big thing. It started with President Bush and Bill Gates and others, in agriculture, in education and infrastructure. There is still a whole litany of problems to be solved there, but I don't view this issue as hurting our ability to be a positive influence.

Mr. ENGEL. Thank you. Thank you, Mr. Chairman.

Chairman ROYCE. Thank you. We go now to Congressman Dana Rohrabacher from California.

Mr. ROHRABACHER. Thank you very much. We define ourselves very much by the things that we do, and not necessarily what we say or what we would like to have other people think about us but what we actually pay attention to and try to get done. And let me commend Chairman Royce. Since he has been here he has made his priority, first it was reforming freedom broadcasting that America does. That was his number one goal here and worked so hard on that and has had an impact on that.

And also the second thing that he has made it his priority has been reforming American food aid. And he fought a big fight on the floor, I backed him up I want you to know. And so I think we can be very proud of those values, Ed, and very proud to serve with you.

We need to restructure American foreign aid. I don't think that we can give grants to people, frankly, anymore. That in a way of basically expanding American interests around the world, foreign aid, I think, has to go from nation building—and in many of those cases in the past what we have done is sustain poverty rather than break the chain of poverty and help special interests in various groups. That I believe foreign aid needs to be an emergency response to the world in times of natural catastrophe, times when things are really desperate for people we can come and help.

And we have got to expect America to be able to do that. I don't think we can be a nation-building organization for everywhere in the world anymore, we just can't afford it. I would suggest that when there is a natural catastrophe or some upheaval that would be what we would want to do, because, Reverend, it is not just up to God. How God makes Himself a part of what we do on this plan-

et is to work through those who believe in God, and God inspires us to do good work. There is not going to be a lightning bolt from heaven solving these problems.

Dr. Shah, I really want to know about that packet because I know you have been waving it at us. And I will tell you that that makes sense to me. Is that a packet say that will, you can give that packet to some starving child and that will prevent starvation of a child?

Mr. SHAH. Yes, sir. This is based on a product called Plumpy'nut. It is a peanut paste which is very high protein. And Dan and I and so many others have been to these places where you have a child who can barely hold up their head. They are in a dusty camp in Dadaab where they have just come out of Somalia, and instead of mixing in that sitting water, corn-soy blend, and producing a porridge that is, frankly, low in protein, you can give them a pre-prepared food that is much, much, much more effective at resuscitating them very quickly. And they will go in 2 to 3 weeks, as little as 10 days actually, of targeted feeding, they will go from looking like they are on the verge of death to being a sort of fat-faced smiling little kid that has been resuscitated. And that is just knowledge, technology, and know-how.

Mr. ROHRABACHER. And can we produce this in such numbers as it makes sense economically to do that as compared to making that porridge?

Mr. SHAH. Absolutely. We make this in Rhode Island. We can make this all over this country. And frankly, if left to its own devices, 10 years from now in my view we should be sending almost no bags of grain. I mean, it is just not 1954. I mean, we should be sending targeted, nutritionally enhanced foods that resuscitate children as they need it.

Mr. ROHRABACHER. How much does that packet cost then to send?

Mr. SHAH. So I don't know the actual costs of the different products. Some are for supplementary feeding; some are for therapeutic feeding, which means children who are right on the verge of starvation.

Mr. ROHRABACHER. But what about that nutritional thing just that basically you were mentioning?

Mr. SHAH. The nutritional impact of this?

Mr. ROHRABACHER. Yes, yes. No, no, no. How much does that cost?

Mr. SHAH. Oh. Well, I would put it this way. Ten days or 2 weeks of targeted feeding with newer technologies like this is a much more cost effective way of resuscitating a child than shipping over a bag of grain, mixing it with water, feeding them porridge. And by the way, even more on the cost because you have to sustain that activity for months in order for them to be resuscitated off of porridge. That is why we don't—we wouldn't do this in the United States.

Mr. ROHRABACHER. Because you had mentioned it doesn't taste as good as peanut butter they will want to go to their own local food as soon as they can and as soon as that is available.

Mr. SHAH. It is a little dense. They make it so that the kids like it, but it is a little dense if you or I were tasting it.

Mr. ROHRABACHER. Okay, well, thank you very much. Thank all of you for your good hearts and trying to get us to do something positive out of Congress here.

Chairman ROYCE. Thank you. Karen Bass of California.

Ms. BASS. Let me join in thanking the chair and the ranking member for this hearing and also for your leadership on this issue. And like the ranking member said, I think it is another example of how this committee works in a very bipartisan fashion.

I have had the opportunity in several countries, Tanzania, Ethiopia, Kenya—Mr. Glickman mentioned the trip to Tanzania recently—it is really inspiring to meet with local communities, local villages, and see how they have moved from subsistence farming to now turning a profit and actually being able to develop their villages and share that knowledge.

And I think it is an incredible example of how we can make a contribution that is not just a one-time contribution of let me give you some food, but let me share our scientific knowledge in farming so that you can become independent and productive on your own. So I am a big supporter. There is no question about that.

And it is wonderful to see you back with us, Dr. Shah. You seem so much more relaxed. And Mr. Glickman and the other panelists, really appreciate your time today.

But I want to raise some questions that have been raised by my colleagues who are either not sure whether they support a change in policy or actually differ with it. And you have made reference to some of these points, but I wanted you to draw out and articulate it more. One of my colleagues is concerned about the maritime employment, and specifically because there is a school in his district for merchant marines and he is worried that if we make further changes in the program that then there will not be the jobs for merchant marines. So I want to know if you would talk about that.

Other members are concerned about the money. When it says that we are going to hand out cash they are worried about the accountability and how we manage that. Dr. Shah, you mentioned that it is electronic transfers, and I am wondering how that takes place specifically in countries like Somalia or in rural areas. You talked about problems about monetization, the current program. If you could describe that and the change that needs to be made. So I would just throw that open to the panel for anyone that would like to answer.

Mr. SHAH. Well, thank you. And thank you for your leadership. Maybe I will go backwards through these. So monetization, just to be clear on what this is I want to offer an example about a program we actually ran in the DRC, Democratic Republic of Congo. To get money to an NGO to help them protect women and girls in a farm community in eastern Congo that was characterized by strife, we were buying food in the American Midwest, shipping it, I believe, out of Louisiana, then watching it go all the way to Africa, having ground transport from the port to eastern Congo, selling it on the market in eastern Congo thus depressing the local prices of the only financial activity folks there do which is farm, taking the cash of which there was 42 cents on the dollar left, and giving it to a local NGO.

It was the most—and granted it is one example, and I think on average monetization only makes something like 30 percent of the money just disappear, but this is an extreme example. But the fact that we were doing this struck me as totally ridiculous. And so that is just what monetization actually is and what it looks like.

And maybe 50 years ago you were introducing that local community to American wheat such that you were creating an export market for the American food industry, the American farmers today would not want you to be doing that in eastern Congo. They would care more about those girls than they would that someday they are buying our wheat.

On the money and the electronic transfers, rural Kenya is a good example. But they have an M-Pesa program where you literally text money by SMS text. You can, everyone, even the poorest households in the most rural, most difficult migratory part of that country have M-Pesa accounts and mobile phones. You can get them the resources very quickly. They can cash it in for food, and it just works. And then we have data from all over the world showing it works, it is secure, it is not wasted at all. And I think it is actually more efficient and more secure than trying to send food into northeast Kenya.

And then on maritime employment I will let Dr. Barrett comment on it. But I will point out we did a very careful analysis. The ships in the program that are, they are literally called "military non-useful" ships that are just dependent on food aid. I actually had my team at USAID show me the photos of the ships.

You should ask them for the photos, because all you have to do is look at them and you will say there is no way. If the American military depends on these ships to keep us safe and secure we have a larger challenge than food aid efficiency. And the number of mariners that are on the actual ships used that are in the non-militarily useful category, which are the highly dependent ones, is negligible. It is a very, very small number. It is in the tens. It is like 70 or 80.

And the maritime leaders I spoke to in the United States and around the world were more than willing to be flexible in order to create a more effective humanitarian picture. These are huge companies. They make $60 billion a year. The negative publicity of their position on these issues is probably more harmful to them than the $20–30 million of profit when you are making $60 billion a year.

Ms. BASS. Mr. Chairman, can I ask just one more question? I think you were going to respond, Dr. Barrett, but before you do, Dr. Shah, you have made reference several times to the data. And it would be nice if we could see that in a couple of pages with some of those statistics highlighted. And it has just, really, all of this has been an incredible accomplishment during your tenure.

Mr. BARRETT. Mr. Chairman, if I may. Congresswoman Bass, you ask really important questions. It is important to keep in mind that in 1996 the Congress enacted a new program, the Maritime Security Program, designed to ensure that militarily useful vessels were available to the Department of Defense for sealift capacity. So vessels that are militarily useful get $3.1 million per year as effectively a call option on vessel and crew.

Very few of those vessels are mobilized, but they have been mobilized, for example, in the Gulf War. We have had a few in use in recent years as well. That provides the vehicle originally intended under cargo preference and ensures that only militarily useful vessels are being paid for their services and their crews.

Now maritime employment is a slightly different issue from military readiness and sealift capacity. It is crucial to keep in mind that we have just run an experiment. In 2012, the Congress reduced the cargo preference provision from 75 percent to 50 percent, so we have just run an experiment in reducing cargo preference. What employment effect did it have in the maritime sector? Zero. Absolutely none. There are no documented vessels that came out of service because of a reduction in agricultural cargo preference coverage, no losses of mariner jobs or onshore jobs associated with maritime for our agricultural cargo preference.

The reason is the Jones Act that regulates coastwise trade has a 38,000 vessel fleet. There are an enormous number of vessels plying American waters with mariners who handle cargoes just like those in agricultural cargo preference. That is a rapidly growing coastwise trade. It is a far larger source of employment. Agricultural cargo preference is a drop in the ocean for maritime employment. And having just run this experiment we know that it doesn't actually have an impact. Thank you.

Chairman ROYCE. Thank you. We go to Randy Weber of Texas.

Mr. WEBER. Thank you, Mr. Chairman. Dr. Shah, you said M-Pesa accounts in Kenya. M-P-e-s-a?

Mr. SHAH. Yes, sir.

Mr. WEBER. And that stands for?

Mr. SHAH. I am not sure. That is a good question. The M, I think, is mobile, and Pesa must be reference to currency.

Mr. BARRETT. Pesa is the Swahili word for money, and the M prefix in Swahili is for person. It literally means "moneyman."

Mr. WEBER. Okay, well, being from Texas I am used to peso, just not used to pesa. I guess that makes sense. How do you protect against fraud? You said it is secure and you said it is a good system, but these hackers and these internet thieves are very, very capable and very, very creative. How do you protect against that?

Mr. SHAH. Well, I would just say the comparison is against shipping American food. And a truck filled with American food is a more vulnerable target and has been proven to be a more vulnerable target than an electronic transfer that goes through an M-Pesa system or an alternative system like that.

Mr. WEBER. I guess that makes sense. And also it is a bit more protective of the personnel involved. It is hard to get somebody shooting at you through the internet.

Okay, and we will go to Secretary Glickman. I represent the second largest rice producing district in Texas and rice is a commodity often used in U.S. food aid programs. Now these packets—and by the way, what was the second packet?

[Audio malfunction in hearing room.]

Mr. GLICKMAN. And then this, what was this here?

Mr. SHAH. There are actually three products. One is the supplementary food which is the Plumpy'nut that I think is made in

Rhode Island, one is the therapeutic version of it which is a much denser——

Mr. WEBER. Okay.

Mr. SHAH [continuing]. More richer version of the same——

Mr. WEBER. Got you. You said that, okay.

Mr. SHAH. This is a cracker that—a cookie that is also enhanced.

Mr. WEBER. All right, thank you. Last week, Jamie Warshaw with USA Rice testified before my counterparts on the Agricultural Committee regarding the strong amount of good that comes with a bag of rice that is raised from the American people. Now if I understand correctly, you just said you would believe that in 10 years no more grain is being shipped over there.

Secretary Glickman, as Secretary of the Agriculture you were directly behind much of the international food aid contributions. You believe that that got us goodwill. So large bag of grain or rice or whatever, is there a mix here? Do you think this gets us as much goodwill? What is your take on it?

Mr. GLICKMAN. I think there is a mix. I don't think we are going to eliminate in-kind assistance for everywhere in the world. There is just too much stuff that has been in the politics lately, but there is too much stuff happening.

Mr. WEBER. Forgive the pun. There is too much stuff that has been ingrained?

Mr. GLICKMAN. That are ingrained. No, there is too many things happening with respect—I was thinking about if the South Carolina tragic flooding had happened, which it has happened, in Taiwan or in South Korea or in Central America, we just had this problem in Guatemala last week with massive floods, we would be shipping some in-kind assistance. There is just no question about it.

So, it is a mix and it requires flexibility, it requires judgment. And yes, I think it probably helps the U.S. to have that physical commodity go there, but that is not the prime reason we ought to be doing it. Because you also will get the similar benefit on the products that you are seeing there because they will say product, or help from the American people or USAID or whatever.

Mr. WEBER. Okay. And then, finally, with the development of food aid programs targeting the most poor and chronically hungry communities, and having impressive results shown by the USAID-commissioned second Food Aid and Food Security Assessment and important linkages with Feed the Future, we want to be careful not to lose such unique programs and tools that have been become vital and effective within the range of our global food security strategy.

So I know we have tremendous pressures to respond to significant humanitarian crises, but with development program waiver language in Section 300 of Senate Bill 525's food aid reform bill, have we reached the point where we need to allow the USAID to waive those fragile developmental gains of the Title II development programs to create those more emergency response programs? Do we need to change that? Any of you.

Mr. BARRETT. If I may, absolutely, Congressman Weber. It is important to keep in mind it costs about $125 for treating children's severe acute malnutrition with the sorts of products that Dr. Shah has shown——

Mr. WEBER. 125 per——

Mr. BARRETT. Per child life-year saved.

Mr. WEBER. Per year?

Mr. BARRETT. Per year. So that is a relatively modest investment. You compare that against the cost of delivering grain from, purchased in the United States, we are talking something on the order of 11 or 12 children's lives per shipment, just the excess cost of shipments. And keep in mind that providing the Secretary of Agriculture and the USAID Administrator with flexibility, it doesn't say U.S. agriculture won't participate.

We are the most productive agricultural economy in the world. We are the world's largest agricultural exporter. The rice farmers in your district, sir, will continue to ship rice to these very places, providing in many cases the rice that will be bought locally because they are the most efficient farmers in the world right now.

The key thing is being able to buy the best quality product at the best price at the time it is most needed, and American agriculture and American food producers, manufacturers, millers, can play a very valuable role in that with no impediment whatsoever. And for just $125 per child life-year we will get a much better product for the productivity of American industry and agriculture. To me it is a no-brainer, sir.

Mr. WEBER. Okay, thank you. Mr. Chairman, I yield back.

Chairman ROYCE. The Chair thanks the gentleman. The Chair recognizes Mr. Cicilline.

Mr. CICILLINE. Thank you, Mr. Chairman. And I want to thank you, Chairman Royce and Ranking Member Engel, for this really important hearing on an issue that is, literally, a question of life and death. I think there is nothing more important in our humanitarian assistance than food because without proper access to food and nutrition children cannot live and attend school, men and women can't work, mothers can't take care of their children. And that is why I am very proud that the United States is the biggest supplier of food aid in the world. And I appreciate this hearing that will draw attention to ways that we can improve and streamline the food aid process and make it even more effective and impactful.

I just want to take 1 minute to recognize the work of a wonderful nonprofit based in my district in Rhode Island that does so much work in this area of food aid and global nutrition. Dr. Shah was raising Plumpy'nut, which is produced by Edesia Global Nutrition Solutions, a really innovative and targeted approach to ensuring that populations around the world have access to healthy nutritional food by producing ready-to-use therapeutic and supplementary foods through large humanitarian organizations such as UNICEF, the World Food Program, and USAID.

This organization has demonstrated incredible leadership in tackling the issue of international food aid and I applaud them and particularly their founder Navyn Salem for their extraordinary work. And Mr. Chairman, I ask unanimous consent to enter into the record the statement of Edesia which is based in the first congressional district of Rhode Island. And I will pass that along.

Chairman ROYCE. Without objection.

Mr. CICILLINE. Thank you.

I want to thank the witnesses for your extraordinary work in this area and for your testimony, and ask, I just really have three questions and open it up first to Dr. Shah. I know that in response to the Syrian humanitarian crisis the Emergency Food Security Program has allowed the use of cash resources, and I wonder if you could speak a little bit about the experience in Syria and why that has been important and what the benefits are in responding to emergencies like Syria.

One of the questions that some of the opponents of these reforms have raised, as my colleague Congresswoman Bass has mentioned, is about the nutritional value. How do we ensure that the food is meeting certain nutritional standards and maybe what we can do to ensure that that happens?

And then finally, the most important question for me is, as you listen to the testimony and you study this issue it seems really obvious that these reforms are necessary to make our aid work more effectively and to reach more people who are needing this nutrition and food. And it seems as if, according to the testimony today it is supported by the maritime industry, it is really supported by most farmers. Why hasn't it happened? What do you see as the obstacles and what can we do to overcome those obstacles, because it makes so much sense to me. And I know Mr. Glickman will have some insight on that as well.

Mr. GLICKMAN. Some of this is just historical. As I pointed out before, we have grown up with the physical observation of giving things overseas and it has been part of our culture. And I think it was based on, as I said, the nature of agriculture, although I think the farm community always had a strong humanitarian core to it in addition to the need to relieve themselves of the surpluses that they have had.

But I do think that more education is needed on this because the facts are really clear: We need more flexibility. It doesn't have to be 100 percent, but we need to move like what you have done already, from 25 to 50 percent or whatever the number that you would come up with. I think we would save a lot of lives.

Second of all, nutrition, as Dr. Shah's organization has done so much in this. Raw commodities are not necessarily nutritional salvation. We are learning a lot more about nutrition and vitamin content and nutrients to not only to build lives but to prevent disease, particularly non-communicable diseases.

And so we are going to have a lot of technology in the future with private sector groups like the ones in your district and others to amplify what we are already sending and most of that is not going to be in bags of food. But I just think we need more and better education——

Mr. CICILLINE. Education.

Mr. GLICKMAN [continuing]. As we are talking about these issues.

Mr. SHAH. I just want to build on Dan's point, because I think within the traditional three stakeholder groups, agriculture, shipping, and NGO, there is mainstream support for reform in each of those groups. There has been a history of categorizing those groups together though and saying the shippers think X or the NGOs think Y.

And the reality is, in each of those categories there are one or two parts of the stakeholder community that would rather not see reform and are promulgating the concept that the program will somehow fall apart if its focus shifts from essentially requirements on behalf of agricultural and shipping interests to results and evidence on behalf of what saves the most lives most efficiently.

And the only response to that I would say is, if you look at every other country that has made this shift over the last 50 years their level of commitment has not gone down, it has gone up. And even in tough environments, even in just the last decade, countries like the United Kingdom have managed under a conservative government to significantly increase their investments in these kinds of activities motivated more by the idea that they are getting efficiency and results and outcomes than by the idea that they are somehow protecting or taking care of a domestic stakeholder group and constituency. Because as Dan points out, mathematically the program no longer really meaningfully supports those constituencies on a financial basis. So that hopefully is helpful.

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

Rev. BECKMANN. May I just add, I think there is real concern that food aid programs have been sustained by a particular set of partly self-interested actors for all these decades, and so if you take the self-interest out of it that maybe the funding for food aid will drop.

So, in fact, I think say for rice growers the real self-interest stake at this point is that between 1990 and today the number of people in extreme poverty has dropped in half. And those people are now eating, and a lot of those people are eating rice. So somehow within the ag community especially we need to make the shift to help—the real stake, the real self-interest stake of U.S. agriculture is that people get out of hunger and be able to buy food, and then not just raw commodities but also ideas and knowledge about how to do it right.

And then I think what is important about that is not only funding for food aid, it is funding for all of our, everything we do to help reduce poverty around the world. There is just deep cynicism still among the American people. People don't know that the world has made progress against poverty. I think only 10 percent of American voters know that. And then if you ask a typical voter how much of our aid, our foreign aid really gets to the people it is supposed to get to, something like 10 percent think that, oh, yes, it really gets to the people who need it. They support it anyway.

So it is really crucial that you reform food aid partly because of that broader constituency, because this is really a scandal and it has to be fixed or it undercuts support not just for food aid but for everything that our country is doing to support progress against hunger and poverty around the world.

Mr. PERRY [presiding]. Thank you, Reverend. The Chair also thanks the representative from Rhode Island. The Chair now turns to himself for some questions. Dr. Barrett, in determining fair and reasonable rates, MARAD allows for a 19-percent profit margin for U.S. ships moving food aid but only a 9-percent margin for ships moving DoD cargoes. Given the humanitarian mandate of Food for

Peace does this seem fair and reasonable? Just if you can talk us through that.

Mr. BARRETT. I run an undergraduate business school, the Dyson school at Cornell. If I offered my students the opportunity to make a guaranteed 19 percent return on all their activities I don't think we need to teach them a whole lot. Just let them sign up and take the option. That is an extraordinarily high guaranteed rate of return. Because keep in mind, this is a reimbursement-plus margin contract that is on offer. And the fact that it is a higher rate of return guaranteed on humanitarian shipments than it is on military shipments begs the question of why would we offer a 10-percent profit premium because you are helping out people who are starving? It sort of defies logic and it is clearly an anti-competitive practice.

Again I run a business school. I am a big believer in the virtue of competition and private enterprise. And what we really need to see is that the shipping lines that are able to provide very cost effective freight delivery services over long distances—the mariners who do these activities are very brave souls, tragically we just saw a vessel lost during Hurricane Joaquin. These are not jobs to be taken lightly. These are not tasks that are unimportant. But the question is why are we guaranteeing an extraordinarily high profit margin when this is a highly competitive industry? Let the vessels compete, and let's let the commercial producers who now also need those same ocean freight services get access to the same vessels without having to see them diverted from time to time because there are these windfall profit opportunities associated with the MARAD rules on mark up.

Mr. PERRY. So in keeping with that, a study by AEI has found that U.S. shipping companies are charging higher rates for U.S. food aid cargoes than other commercial cargoes carried on the very same vessels. Any idea how this cost discrepancy can be accounted for?

Mr. BARRETT. The economics of it are rather simple, sir. When you don't have competition the provider can mark up the price. Commercial cargoes are highly competitive. It is a very competitive market out there. That is one reason why——

Mr. PERRY. So there is nothing special with carrying food that would justify the increased cost for the sake of itself?

Mr. BARRETT. No, it is——

Mr. PERRY. In your opinion.

Mr. BARRETT. The same vessels are carrying agricultural commodities commercially and they are just charging less when they are carrying them commercially because the market won't sustain the inflated price associated with the cargo preference. The protections drive up the price. It is monopoly pricing.

Mr. PERRY. Okay. Dr. Shah, the farm bill, the 2014 farm bill provided some cash flexibility, and you also have the Emergency Food Security fund. Can you explain why you are pressing for more flexibility? Has not enough been provided at this point?

Mr. SHAH. No, not enough has been provided. And if you look at what the farm bill did, and I was very, very grateful for the progress made in the farm bill, it took the part of the food aid account that goes to administration but also to results monitoring

and measurement data and analytics, and took that from 13 percent to 20 percent and then made that more flexible such that that could be used for the kinds of things we are talking about on this panel. Cash transfers, vouchers, medical foods, et cetera.

So in practice it was a 7-percent on the total volume of additional flexibility, which isn't a big gain but it is 7 percent. I mean, it should be 50 percent or 60 percent or something like that if we are going to get serious about reform.

Mr. PERRY. So just to codify the argument, it is a move in the right direction but just way too small from the perspective of what absolutely needs to be done and what actually needs to be done.

Mr. SHAH. Exactly.

Mr. PERRY. Okay, thank you. The Chair now turns to the representative from California, Mr. Bera. Dr. Bera.

Mr. BERA. Thank you, Chair. Yes, it is good to see Dr. Shah back in here, Secretary Glickman, and all the witnesses. Obviously an incredibly important topic as we reflect our values as Americans wanting to relieve suffering around the world. Would it be accurate to say the goal of this program and Food for Peace primarily is to relieve that suffering, relieve suffering from hunger, starvation, and food insecurity? Is that an accurate assessment?

[Nonverbal response.]

Mr. BERA. That that should be our driving goal. So in that context, when we look at using the taxpayers' resources, we should evaluate that in the context of how do we best use those resources to achieve that goal; is that fair?

[Nonverbal response.]

So in that context, Dr. Barrett, I think you suggested that for every dollar we are spending about 35 to 40 cents that goes to achieve that goal, compared to comparative economies like Canada where it is 70 cents per goal?

[Nonverbal response.]

So we are not doing a very good job in using our resources to achieve what the driving goal is. Is it accurate that potentially a secondary goal is, within U.S. industries, within the agricultural sector, within the maritime sector, to help stabilize those industries, was that a secondary goal in the original design or was that just—I guess Secretary Glickman.

Mr. GLICKMAN. Well, certainly, 1 secondary goal in the agriculture sector was relieve the U.S. from massive surpluses which kept prices low. I can't speak as much to the maritime, but my guess is that there were similar pressures there as well a long time ago.

Mr. BERA. But again, that may have been a secondary goal in the original design of the program back in the 1950s. I guess, Secretary Glickman, if we allowed some flexibility in the program today to change from just shipping commodities to perhaps purchasing product in-country or shipping higher nutritional commodities, how would that affect the agricultural sector today?

Mr. GLICKMAN. In terms of net income on reduced, let's say in-kind shipments it would be negligible. It would be virtually insignificant. Now there are a few things that we have seen some increase in in-kind assistance. I think grain sorghum we have seen some increase on the purchase for humanitarian assistance. And I

mention these pulse crops which are largely lentils, they are still very, very small. But in terms of the major U.S. commodities, wheat, corn, soybeans, it would have virtually no impact at all.

Mr. BERA. And Dr. Barrett, on maritime security, on maritime employment would it have much impact?

Mr. BARRETT. Zero. And let me also just echo in the agricultural sector growth, small specialty crop sales into the food aid system is being driven largely by needs assessments in countries that are calling for commodities that are more suited to that population and naturally eat sorghum, et cetera. The income effects on American growers are zero. Same effects for maritime employment, sir.

Mr. BERA. Okay. So in that context the secondary goal, really, again we should be making our decisions as Members of Congress, and I think the taxpayers would expect us to make those decisions for that primary goal of relieving suffering, using our resources in the most efficient way to relieve suffering around the world.

Even if there was a secondary goal of U.S. employment, Dr. Shah, I think in your earlier answers suggested there would be a better way to use resources and manufacture products, some of these highly nutritional products that can help relieve suffering in a more efficient way; is that accurate?

Mr. SHAH. Yes, absolutely. In fact, we did a study when I was at USAID with Tufts University that demonstrated the nutritional frontier here, and there is plenty of room for new products that are both peanut based, rice based, U.S. commodity based, but nutritionally enhanced and prepared. And as I have noted, 10 years from now it should all be, the program should be advanced manufactured foods, and we have seen a track record of creating U.S. jobs here as a result of that opportunity.

Mr. BERA. Fabulous. And I would imagine there is a secondary, because if we are shipping direct commodities I imagine there are some costs to loss of food for spoilage and certainly the cost of storage as well in-country, as well as the shipping costs that products like these highly nutritious products are probably easier to ship and certainly easier to store, and spoilage is less of a factor. That is probably pretty accurate.

Just in my short time left, I think, Dr. Barrett, you quoted a number, $125 per child-years saved. If you could just expand on that.

Mr. BARRETT. Sure. That figure, that estimate comes out of a recent study published in the journal Lancet, a leading global public health journal, where a collection of leading scholars looked at the cost effectiveness of different interventions for public health. And child acute malnutrition is commonly identified as the single most cost effective intervention we can make in the world.

The Copenhagen Consensus, for example, in assessing a wide range of prospective global interventions identified addressing child nutrition, in particular severe acute malnutrition, as the highest benefit-cost ratio investment available to the global community. So it is at $125 per child life-year saved. That is the cost per child life-year saved. So for a newborn with a 70-year life expectancy, multiplied by 70 we are talking something like $8,000 for a child to live a full, healthy life.

Mr. BERA. Mr. Chairman, if you would indulge me. Dr. Shah, within that $125 would it be more efficient for us to spend those resources on these highly nutritious products?

Mr. SHAH. Absolutely. Absolutely. In fact, it is important to recognize that the sort of bulk grain feeding approach was never designed as a targeted solution for child malnutrition. It was designed for exactly what it was, getting rid of American commodities and in places that were commodity-scarce having some food, because it seems logical that food helps saves lives during a famine.

Mr. GLICKMAN. I just want to make one other point. This is for agriculture. A lot of these programs grew in recent years in large part because of bipartisan support of two farm-state Senators, Bob Dole and George McGovern. I am sure there were some foundation for getting rid of surpluses, but most of this is because of the nutritional efforts of the program. And so I don't want people to think that agriculture is just interested in moving commodities, it has got a long history on the humanitarian side as well.

Mr. BERA. Absolutely. Thank you, Mr. Chairman.

Mr. PERRY. The Chair thanks the gentleman. The Chair now recognizes the gentleman from Virginia, Mr. Connolly.

Mr. CONNOLLY. Thank you and welcome to our panelists.

My first job here in Washington was to be the executive director of the American Freedom from Hunger Foundation, and I spent 10 years doing that before I went to graduate school. And during that time, Reverend Beckmann, by the way, worked with Arthur Simon in the founding of Bread for the World. I didn't found it, he did, but I provided some counsel and assistance in how to set up that nonprofit. I also worked with Paul Simon. When he was lieutenant governor of Illinois I wrote the introduction to one of his books on the politics of hunger. So this topic is near and dear to me.

Candidly, Dr. Shah, what you just said about the founding of the program and the purpose of the commodities, I think, is at variance with Secretary Glickman just said. And I am old enough to remember George McGovern and Bob Dole and most certainly there was a nutritional aspect to the program. I am old. And I think we are being a little facile in just dismissing the commodities aspect of this program, and I think we are being more than a little facile, with all due respect, to the politics up here of continued support for these kinds of interventions and efforts.

Can one really imagine a Bob Dole and a George McGovern coming together in this Congress to support the new food aid program? Really?

Mr. GLICKMAN. I would do it. I can't tell you——

Mr. CONNOLLY. Who would do it?

Mr. GLICKMAN. I think Bob Dole and George McGovern——

Mr. CONNOLLY. They aren't here anymore.

Mr. GLICKMAN. No, I know.

Mr. CONNOLLY. I am talking about this Congress. Can we imagine a Bob Dole, a George McGovern coming together and saying, yes, let's fund this. Let's decommoditize it and fund it because it is the right thing to do. I am skeptical. I am concerned. I helped write the last foreign aid authorization bill passed by a Congress. That was in 1986, Dr. Shah. We have not passed a foreign aid au-

thorization bill since 1986. There is a reason. It certainly isn't the popularity of foreign aid.

So I am just concerned. I don't have a dog in the fight. I don't represent an agricultural area. The last dairy farm in Fairfax County is Frying Pan Park where we take kids to see what a cow looks like. We used to be the largest dairy producing county in Virginia. So I don't have shipping interests. I don't have agricultural interests. I am actually concerned about trying to make sure we are the most efficient and we are helping the largest number of people.

Reverend Beckmann, you pointed out about the fact that we actually have some success stories in lifting people out of poverty. And I agree with you, although I would suggest that the largest single example, certainly in my lifetime and in human history, is in China and it is not because of foreign aid. It is because of policy reform that lifted the largest single number of people out of poverty in the history of humanity and in the briefest most condensed time frame, which is a sobering thought.

It wasn't because of foreign aid or AID or any of the U.N. agencies. Not that they are irrelevant, but that is not what happened in China. And yes, they now have purchasing power. I remember in the '50s there was a famine in China. No one would think about a famine in China today. That is how much the world has changed in a relatively brief period of time.

So at any rate you are welcome to comment. I would start with Secretary Glickman because you come from up here, you were part of those wars, you were Secretary of Agriculture. Just how easy will it be, do you think, to put together a coalition that will readily support this kind of intervention long term in terms of appropriating dollars?

Mr. GLICKMAN. Not easy, but not impossible. You all did it in the last farm bill. You made changes. You made the programs more flexible. There was opposition, you negotiated the percentages and what you were going to be doing. These are not the kind of changes that have to gridlock a congress, to be honest with you. And right and left there is history of bipartisanship in feeding the hungry and dealing with the problems of poor and poverty around the world, as you know, that I think that you can do it. I also don't think it takes huge amounts of additional funding. We don't have that. We know that.

So I don't think you are talking about an impossible task, to be honest with you. And I think your history shows there is reason to believe that you can work together on this. The other thing I would tell you is Dr. Shah, I am just going to stroke him for a moment. He is out of this job.

Mr. CONNOLLY. If I may interrupt.

Mr. GLICKMAN. Yes.

Mr. CONNOLLY. Don't make a straw man. No one talked about it being an impossible task. What I said was I think we are being a little too facile about the struggle we will face in this Congress.

Mr. GLICKMAN. Yes, well, straw is an agricultural commodity so I can say that as well. I think the fact that you showed that you can make some progress before, just in the last few years, means you can make more progress. And also the nature of the conflicts

now, they dwarf the conflicts of the last 20 or 30 years. Not the Second World War necessarily, but they are just everywhere. The levels are higher, the problems are much greater. So I think you have got a chance here to really do something good. That would be my—I didn't get a chance to——

Mr. CONNOLLY. From your lips to God's ears. Dr. Shah.

Mr. SHAH. Representative Connolly, if I could just add a few thoughts. First is I would in no way contradict Dan. I agree with not only everything he said, my comment about the nutritional focus there is no question the agricultural community has supported these programs with the desire to have significant nutritional impact.

I have been with committee members from the agricultural committees as we have traveled in settings, and the passion is extraordinary and it is about saving those children's lives. The point I wanted to make was that the science about how to do that has evolved such that actually there is more, we know so much more today about how to save those lives effectively and efficiently and it is different from the strategies we used to deploy even 10, 15 years ago. And that is all I meant to imply by that.

The second answer on the politics is I had this experience as I learned and met many of the leaders in the shipping community and the agricultural community. But the shipping community in particular, I just believe there has been a mismatch of understanding that this program is not going to be able to sustain itself as a major source of revenue for shippers over the course of the next decade because of natural transitions in what is happening in the program. The volume of food is coming down. The replacement of grains with more targeted foods that are just denser and lighter in aggregate and cheaper to ship in aggregate.

And so the structure of the program is already changing, and that is already impacting these constituencies. So I do think the time is now to have an open and partnership oriented discussion. We had structured, maybe about a year ago, some compromise ideas that landed in a place where there was significant additional flexibility, 2 million to 3 million more people reached and lives saved.

A role for shippers but not in the current context, not the same as today's deal, and a focus on bringing some agricultural partners into this more advanced food picture by creating rice and legume based products as opposed to just peanut based products that are more targeted and more effective. So there is a way to design the future that builds on the politics of the past and I believe there is an opportunity to do it now.

Rev. BECKMANN. Well, I didn't know about your help in starting Bread for the World so thank you for that.

Mr. CONNOLLY. No, no. I just provided advice.

Rev. BECKMANN. No, I appreciate it. I am encouraged, actually, by the degree of bipartisanship that we have seen on international aid issues. You are in the fray so you may not feel it, but it is really extraordinary that during the Bush administration, the Obama administration that we have had real improvements and expansion of the programs that are focused on poverty, hunger, and disease. And it has been done in a bipartisan way with some authorizing

legislation, and then steady and pretty rapid increases in appropriations for the programs that are focused on poverty, hunger, and disease.

And those increases have continued since 2011, and I think it is partly because that our aid programs have worked. People have seen that PEPFAR has dramatically improved the situation in relationship to the global AIDS pandemic. And people can see that Africa, half of Africa is doing remarkably well. But some of that is because of policy reform, but it was also supported by the Millennium Challenge Corporation and IDA and other things that have been supported by this committee. So I think in a certain way we are in a really encouraging situation, and getting the reform of food aid done is really important to sustaining American confidence in all of these efforts to participate in what the world is doing to reduce poverty, hunger and disease.

When I talk to church groups across the country, and I was in Wichita yesterday. There are a lot of Republicans in Wichita. I talk about food aid reform in Wichita. I start on that because everybody is shaking their heads that last year Congress got some additional food aid reform, enough to give food aid to 1½ million more of the world's poorest people last year at no cost to U.S. taxpayers. Folks in Wichita liked that a lot. And so I think getting this done is really important to a continued bipartisan collaboration on some of the things that this committee has provided leadership for.

Mr. PERRY. Thank you, Reverend. Mr. Connolly, and thank you. The Chair recognizes now Mr. Sherman from California.

Mr. SHERMAN. Thank you. I begin by pointing out that I have no farms in my district. I have no ports in my district. I do have oranges growing in my state, but I am not sure that oranges are part of our food aid program. I do not have a dog in this fight. I do not have an orange in this fight.

But I am convinced that if we simply abolish the Food for Peace program, and let's face it, turning it into the money for peace program means that it is simply a Xerox of several of our other foreign aid programs, that we are going to have less total expenditures on aid in the future. That if you abandon the interests that have been pushing for this program and say we are not with you, they will not be with us.

Mr. Glickman, you know a little something about Congress, a little something about agriculture. Could you imagine the ag approps subcommittee just declaring that their total allotment should be reduced and that money transferred to the subcommittee on foreign operation?

Mr. GLICKMAN. Probably not. But let me just say this. I am not advocating turning the Food for Peace program into the money for peace program, period.

Mr. SHERMAN. No, I just wanted that——

Mr. GLICKMAN. But all we are talking about is flexibility so you can move money and commodities around a little more.

Mr. SHERMAN. Okay, as to flexibility the State Department has come into this room on many occasions and they have shown an incredible hostility, if anything, to American jobs, to the idea that anything purchased in America relates to jobs. They have testified that there is no connection between our trade deficit and employ-

ment. And they certainly act that way, and if you wonder whether that is true, just look at the fact that we have the largest trade deficit in the history of a million years.

So giving them flexibility is pretty much the same thing if you give them a lot of flexibility. Do you think that if the State Department is given the authority to turn the Food for Peace program into basically a money for peace program, Dr. Shah, do you think that the shippers, agriculture, will continue to support the program?

Mr. SHAH. The bill that passed or the bill that came very close to passing here, I guess 2 years ago now, called for a 50-percent commodity, 50 percent flexibility oriented approach. That strikes me as about right in terms of the range of both what is politically possible and what would dramatically enhance the quality of outcomes. It would allow you to have commodities used and deployed where they are valued and needed and play a role, and it would allow you to use the flexible resources to do the targeted feeding, lifesaving activities, fast and efficient activities. And in that context, I believe the shipping community together with the agricultural community together with the NGO community could support that type of package of flexible-plus commodity.

Mr. SHERMAN. We clearly need some flexibility and the exact number that would keep the alliance together while providing the most efficient aid. There is another part of our aid. Obviously we want to feed people, but it is also sold to the American people as a for-peace program, which basically means it is not just for humanitarian reasons. It is to enhance the image of the United States.

When we buy food locally that is less of a statement to the recipients that this food is really from America. What is done to make sure that we have the same, Dr. Shah, impact on the recipients and on the press covering it and on the whole world? I mean, we have done nothing as successful in the Islamic world than our aid after typhoons that hit Indonesia and Malaysia. So what can we do with the buying food locally and still have that impact? Dr. Shah?

Mr. SHAH. Well, I would just point out that in Haiti, in Tacloban and the Philippines, in Syria today, in Jordan and Lebanon, whenever we use flexible resources they come in the form of a branded voucher or a branded biometric ID card that a family will hold in their pocket, will tell you it is saving their family and their society at a critical time, and is emblazoned with the USAID logo and the phrase "From the American People" usually written in the local language. And they take extraordinary pride in that.

So I think we have seen in all of these settings that you can have a flexible assistance program that is cognizant of the importance of projecting America's values, and people react very, very favorably to that.

Mr. SHERMAN. So some of us are old-fashioned enough to think a flag on the bag, in this century it is flag on the card. Okay, I yield back.

Mr. PERRY. And just for the record, as I understand it, right, this is the bag we are talking about?

Mr. SHERMAN. Okay.

Mr. PERRY. The Chair thanks the gentleman. The Chair now thanks the gentleman from New York, Mr. Engel.

Mr. ENGEL. Thank you, Mr. Chairman. I just wanted to ask Reverend Beckmann one last question. So the statistics show that we can feed between 2 million and 6 million more people in need with simple common sense reforms, but like everything else special interests get in the way, people looking at how it affects some of these interests.

So as the CEO of Bread for the World, how do you build—you touched on it but I would like you to expand on it—how do you build public and political will to reform our international food aid system?

Rev. BECKMANN. I think this is a really good issue to build public and political will for our foreign assistance generally, because I mean just within Bread for the World it is clear to our constituency that we fight just as hard to make these programs effective as we do to get more money. And across the political spectrum the demonstrated concern about effectiveness and efficiency and not just trying to get more money for poor people but protecting taxpayer dollars in that process, I just know that that builds support. Not only for the food aid program but for everything that our Government is doing to support what the world is doing to reduce poverty and hunger.

I thought Mr. Sherman's point about the agriculture support is important. We need to, not necessarily, but all of us, I think, need to be cognizant of the agricultural community's strong support for food aid over many decades. Really at this point their self-interest is not the food aid, their self-interest is reducing hunger. When in the 1990s when East Asia had a big improvement, lots of people got out of poverty. That was great for U.S. agriculture.

In the same way as Africa comes out, as people come out of hunger and poverty that means—poor people typically spend two-thirds of their total income on a couple plates of food a day. So some of the increased food that people are able to buy, the more variety, some of that will come from the U.S. and especially like breeder stock and technology behind the expanded production of food.

So U.S. agriculture has a real and enduring self-interest reason for being in alliance with hungry people around the world, and it is really important that as we make this transition that we maintain that. So in practical terms it is going to mean compromises and doing this step-by-step, probably. And I don't know about the shippers. I am not sure we can keep them with us. But agriculture, they have a real stake in this.

And then on top of it most of the farmers and people in farm states I know, they are conservative, church-going people. If you tell them that this is a way to save money on a government program and then reach more of the world's most desperate people with food they are for it.

Mr. BARRETT. If I may, Congressman Engel. There may be a lesson to be learned in the Canadian experience of reforming their food aid programs 10 years ago. Canada, like the United States, ran a surplus disposal program. Like the United States they had price support programs that absorbed surpluses generated by Canadian farmers then shipped them overseas as food aid.

And then the Indian Ocean tsunami hit right after Christmas in 2004, and the Canadian law prescribed that Canada could only send up to 10 percent of its food aid through cash-based assistance. Ninety percent of the budget had to be commodities procured in Canada. The Indian Ocean tsunami hit rice-eating communities. There is not a lot of rice grown in Canada.

So the Canadian farm community, note the farm community, led by the Canadian Foodgrains Bank, was so embarrassed by the Canadian food aid program's restrictions that the Canadians could not respond to populations in desperate need of food because they ran out of their budget in the first 2 weeks, that immediately, within the year, the Canadian Parliament changed Canadian food aid law. It went from 90 percent by Canada shipped from Canada to 50 percent within the year.

We shouldn't have to wait for the same sort of tragic event. The farm community cares about food. It cares about people eating a nutritious diet. And these restrictions inhibit our ability as the world's most productive agricultural economy to advance that shared goal. This should be doable.

Mr. ENGEL. Thank you. Thank you very much.

Mr. PERRY. The Chair thanks the gentleman. We also thank the witnesses for their time and insightful testimony. It is clear that in a time of unprecedented need we need to do whatever we can to make our food aid programs as efficient and as effective as possible. You have all clearly laid out the challenges and opportunities lying ahead of us and we thank you for that. With that this hearing is adjourned.

[Whereupon, at 12:10 p.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Record

FULL COMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Edward R. Royce (R-CA), Chairman

October 7, 2015

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at http://www.ForeignAffairs.house.gov):

DATE: Wednesday, October 7, 2015

TIME: 10:00 a.m.

SUBJECT: Reforming Food Aid: Desperate Need to Do Better

WITNESSES: The Honorable Dan Glickman
Vice President and Executive Director
Aspen Institute Congressional Program
(Former Secretary, U.S. Department of Agriculture)

The Honorable Rajiv Shah
Senior Advisor
Chicago Council on Global Affairs
(Former Administrator, U.S. Agency for International Development)

Christopher B. Barrett, Ph.D.
David J. Nolan Director
Stephen B. and Janice G. Ashley Professor
Charles H. Dyson School of Applied Economics and Management
Cornell University

The Reverend David Beckmann
President
Bread for the World

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF FULL COMMITTEE HEARING

Day *Wednesday* **Date** *10/07/15* **Room** *2172*

Starting Time *10:14* **Ending Time** *12:10*

Recesses [*0*] (____to____) (____to____) (____to____) (____to____) (____to____) (____to____)

Presiding Member(s)

Chairman Edward R. Royce

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]
Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

Reforming Food Aid: Desperate Need to Do Better

COMMITTEE MEMBERS PRESENT:

See attached.

NON-COMMITTEE MEMBERS PRESENT:

none

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

IFR - Edward R. Royce
IFR - Rep. David Cicilline

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *12:10*

Jean Marter, Director of Committee Operations

HOUSE COMMITTEE ON FOREIGN AFFAIRS

FULL COMMITTEE HEARING

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MATERIAL SUBMITTED FOR THE RECORD BY THE HONORABLE EDWARD R. ROYCE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, COMMITTEE ON FOREIGN AFFAIRS

Written Testimony Submitted by Howard G. Buffett, Chairman and CEO of the Howard G. Buffett Foundation, to the House Committee on Foreign Affairs Hearing on "Reforming Food Aid: Desperate Need to Do Better"

October 7, 2015

Chairman Royce, Ranking Member Engel and Members of the Committee: thank you for the opportunity to submit written testimony on reforming food aid. The United States has a long and generous leadership legacy when it comes to food aid, feeding more than 3 billion people in 150 countries over the last 70 years. However, our food aid could reach millions more of the 850 million food-insecure people globally at no additional cost with three important reforms: (1) ending monetization; (2) increasing the use of local and regional procurement; and (3) reforming the Cargo Preference Act.

I have farmed for 35 years; run a philanthropic foundation focused on addressing global food insecurity for the last 16 years; and served as a Global Ambassador Against Hunger for the World Food Programme since 2007. Based on my travels to 139 countries, and also my experience as a farmer, philanthropist and advocate, I promise you the stakes for getting food aid right have never been higher. Hundreds of millions of people experience hunger every day. Food is power in volatile, violent situations that I have seen firsthand in sub-Saharan Africa, as well as Central America. In these regions, food insecurity leads to desperation and extreme behavior. It plays a significant role in countries such as Mexico, Guatemala, Honduras, El Salvador and Nicaragua, leading to the forced migration we see across our borders.

Our foundation has targeted food insecurity in part because hunger and conflict are inextricably linked. We have invested nearly $700 million in efforts to develop agriculture and mitigate conflict in 82 countries, but we have a particular focus on conflict and post-conflict countries. Last week, I returned from visiting the eastern Democratic Republic of Congo and Rwanda, two countries I have worked in for 15 years and traveled to more than a dozen times just in the last three years. Our foundation is investing in agricultural development as a strategy for catalyzing peace in this volatile part of the world. On our field visits, we see first-hand how the most food-insecure countries breed violence and extremism that threatens local populations, undermines security and triggers the displacement of vulnerable people. In August, I visited humanitarian projects in El Salvador and Mexico, where poverty and food insecurity are widespread, and where violence and conflict are driving large numbers of people north and eventually across our borders.

Investment in food security, particularly in agricultural development for smallholder farmers, creates positive alternatives to conflict and forced migration that lead to a more stable and economically viable world.

Recommended Reforms

Current U.S. food aid reaches only half as many people as it did five decades ago due to inefficiencies, time delays and avoidable costs.[1] The United States could address these inefficiencies by prioritizing three major reforms:

1) End Monetization

Current food aid legislation allows nongovernmental organizations (NGOs) to "monetize" or sell on local markets excess commodities they receive in the form of food aid for emergencies and apply these funds to their non-emergency development programs. From many organizations' point of view, it can be a reliable and important source of funds. The U.S. provided roughly $120 million in monetized commodities in 2012.[2] Unfortunately, the practice's economic impact on local farmers can be devastating.

I first learned about monetization ten years ago, when I was visiting the global NGO CARE in Nampula City, Mozambique. I was there to identify opportunities to support agricultural development and better connect smallholder farmers to the marketplace so they could make the most of their crop production. When I learned that U.S.-grown commodities were being sold into the local market, I initially couldn't believe it. The practice flooded the market with supply that reduced the prices local farmers could receive for locally grown commodities, and it discouraged future investment by local farmers in producing those same commodities. It completely undermined what should have been our long-term goal: strengthening local production and markets to reduce the need for food aid. And yet, according to the Government Accountability Office (GAO), nongovernmental organizations traded 1.3 million tons of U.S.-grown food for cash in thirty-four countries from 2008 to 2010.

By 2006, my hosts at CARE were generating $45 million annually from monetizing U.S. commodities. That money was paying for poverty-fighting programs that formed the nucleus of many of CARE's country offices, several of which depended on monetizing U.S. food aid for half their budget. The money paid for about twenty development programs in Africa, which did everything from teaching farmers how to make more money by growing alternative crops to teaching them about soil conservation and agroforestry.

Monetizing U.S. commodities became a moral issue because CARE realized it was harming farmers in places where CARE was acting as a grain trader. What's more, CARE officials realized that the basic proposition that food aid from America was supposed to be consumed by poor people was being distorted; when monetized, it was ending up in the hands of middle-class and upper-class consumers *in developing countries*. For instance, in Uganda, some U.S. food aid ended up at a bakery across the street from the US embassy. In Ethiopia, some cooking oil monetized by CARE ended up at a Sheraton hotel in Addis Ababa.

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[1] USAID, 2013. Food Aid Reform, http://www.usaid.gov/foodaidreform/, September 24, 2013; Elliot, K., McKitterick, W. Food Aid for the 21st Century: Saving More Money, Time, and Lives, Center for Global Development, Washington, DC.
[2] https://www.usaid.gov/sites/default/files/documents/1869/FoodAidReform_BehindtheNumbers.pdf

Daniel Maxwell, a senior CARE official based in Nairobi, eventually wrote a book on the subject with a friend from graduate school, Cornell University economist Christopher Barrett. The book, *Food Aid After Fifty Years: Recasting Its Role,* concluded that the primary objective of food aid had devolved to where it was less about helping food-insecure people than it was "heavily oriented toward domestic concerns in donor countries." And the extent to which NGOs were dependent on monetizing food aid for project funding made them leery of lobbying for reforms that would stretch the food aid budget.

To its credit, CARE decided to stop monetizing commodities, undermining its budget in the process. The value of support in all forms from the U.S. government sank 18 percent in the charity's fiscal year that ended June 30, 2007: to $243 million from $298 million in FY 2006. By 2011, U.S. government support to CARE had dropped further to $176.1 million.

CARE paid a heavy price for its stand. Five years later the organization raised $589.7 million, 10 percent less than it had to work with when it was selling U.S. food aid to generate cash. "It is an understatement to say we weren't truly prepared for the practical implications," said Helene D. Gayle, then president and chief executive officer of CARE USA. "That said, I think it has also hastened our adaptation to a new development paradigm and made us more prepared to embrace new (and we think better) ways of doing development."

CARE's decision took guts, and it cost them, but it was the absolutely right thing to do. It should be viewed as a case study in leadership on food aid reform.

In a "Food Aid Reform" policy paper our Foundation developed in collaboration with the ONE Campaign in 2013, we noted that the GAO found that for every $1 the U.S. governments spends on buying agricultural commodities, 24 cents are lost on average when organizations sell those commodities on the market.

Once I learned more about monetization, I realized that farmers in different parts of the world had been complaining about it to me for some time. I just didn't realize what they were talking about. Probably a dozen times, farmers had asked me why "the U.S." was depressing their prices by dumping our commodities into their markets. In Ethiopia, a grain trader once showed me a warehouse of bagged commodities that he said he was unable to sell because of U.S. commodities flooding the local market. At the time, I thought that some independent grain trader with ties to the United States or some expatriate businessman was behind it. I didn't realize that it was actually NGOs supplying the commodities for these trades based on gifts from our government.

European countries had once allowed monetization as well, but in the mid-1990s both Europe and later Canada moved to change their aid policies; ever since, they've sent cash for purchasing and distributing food locally. It is too late for the U.S. to lead on this issue, but we are long overdue to follow our European and Canadian counterparts' example. The U.S. should end monetization.

2) Increase Local and Regional Procurement

Shipping food aid overseas is often more time-consuming and expensive than using aid dollars to purchase commodities locally or regionally. In our "Food Aid Reform" policy document we cited a 2009 study by the GAO of ten sub-Saharan African countries for the period 2004-2008 that found the median delivery time when sourcing locally was four months shorter and cost 34% less than traditional delivery methods. We also noted a study by the Local and Regional Procurement Pilot Program (LRPPP)

mandated in the 2008 U.S. Farm Bill that cited time savings of nearly 14 weeks when sourcing from local markets. Importantly, beneficiaries also preferred locally produced commodities.[3]

A critical value of local procurement is that it strengthens market linkages, especially for the most marginalized farmers whose primary opportunity to exit poverty and food insecurity is market access. Our foundation had invested hundreds of millions of dollars in philanthropic capital in agricultural projects in dozens of countries in Africa and Central America before we realized that the only way to put ourselves out of the aid business and into the economic opportunity business was to connect smallholder farmers to markets. When a farmer has access to a place to sell his or her production; when s/he has the tools to produce at a quantity and quality to meet the market's requirements; and when s/he possesses the skills to make the most of those transactions is when our philanthropic work ends and the self-sustaining market dynamics take over. That's the power of local procurement: it becomes the much needed demand that creates the markets and incentives for local farmers to be able to earn better incomes and lift themselves out of poverty.

As an illustration of this concept, our foundation helped initiate a large-scale pilot of local procurement called Purchase for Progress (P4P) with the World Food Programme (WFP) in 2007. We further scaled the idea in El Salvador, Guatemala, Honduras and Nicaragua. The program leveraged the WFP's networks to create a stable and reliable market for smallholder farmers' output. Instead of taking the money the developed world donates toward famine relief and other aid programs and then going back and buying crops and staples from the developed world and shipping it to these struggling regions, P4P cut out two steps and used the funds to purchase aid *locally* from farmers who are themselves struggling. That is not necessarily "easier," but it is simpler and, I believe, a stronger model. It not only satisfies an immediate need, such as food for hungry schoolkids, but also the presence of a strong, stable buyer for local crops creates an incentive for smallholder farmers to learn to farm better and more efficiently. Planning for sustainability is the essence of catalytic funding. If you just distribute food, or even the seeds and fertilizers, what happens when you leave? They run out and all you've done erodes, just like the tide reclaims a sand castle. However, if you make the market connections and teach the farmers to use credit, and to respect and carry out contracts, you have given them tools to buy their own inputs, manage their businesses effectively, and be active in the market in the future.

Local procurement is not a cure-all. It must be accompanied by careful market monitoring to ensure no adverse effects on local food prices and to ensure food safety standards are met. And there are instances when shipping commodities is necessary and/or more cost-effective. The people working on the front lines of emergences need flexibility to determine the best approach given the circumstances. However, in terms of creating a framework for sustainable change, local procurement is significantly preferable to shipping commodities overseas.

3) Reform the Cargo Preference Act

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[3] Lentz, E., Barrett, C., Gomez, M., 2013. The Timeliness and Cost-Effectiveness of the Local and Regional Procurement of Food Aid. World Development.

PL 480 regulations require the bulk of U.S. food aid be moved on U.S.-flagged vessels. The rationale often cited is two-fold: "buy American" and "support national security interests." The numbers do not support either justification. Although in theory the U.S. vessels that transport this aid stand ready for rapid military deployment as well, the Department of Transportation Maritime Administration has determined that only 12% of eligible ships are actually "militarily useful."

The "buy American" argument is also hard to justify by the numbers. The number of American crew members on these ships is estimated at 1,414, yet participating companies can include foreign-owned subsidiaries. Researchers from Cornell University found that one of the largest carriers, A.P. Moller-Maersk Group, based in Denmark, owns at least 21 of the 144 vessels in the Agricultural Cargo Preference fleet.

The cost of this inefficient policy is enormous. Data from USAID and USDA shows cargo preference requirement compliance increased food aid cargo costs by 46% or approximately $140 million in FY2006. The GAO reported one 2008 case in which it cost $4.5 million in shipping charges to send Malawi ten thousand metric tons of wheat worth $3.9 million. We could have had much more impact if we had just used the total $8.4 million to support local or regional purchase programs.

It is no surprise that the U.S. shipping industry has been lobbying to keep this program intact, joining forces with U.S. agriculture interests and NGOs in what is sometimes called the "iron triangle" that has kept both monetization and U.S.-flagged shipping requirements going for years—even though the practice hurts many of the people it is designed to help. U.S. shippers and some food processing and agricultural interests have vowed to fight for the existing regulations to stay in place. It was a small step in the right direction in 2012 when Congress lowered the minimum requirements for using U.S. ships to transport aid from 75 percent to 50 percent but eliminating this requirement altogether is the reform we need. Let's be honest: as long as these preferences exist, our government is putting the interests of corporations ahead of hungry people. This is not what America should represent.

Conclusion

The United States has built an incredible legacy of leadership and generosity in food aid over the last 70 years. We can do even better, and if we attack the inefficiencies that have crept into the system we can achieve higher impact without allocating more aid dollars. As someone who works on this issue daily, of course I would prefer that the United States do more financially as well but I appreciate the tough budget constraints Congressional leaders face. I do not, however, see our food aid as charity. I view it as an investment in a more secure world that benefits us all. We cannot isolate ourselves from the poor and desperate who will do whatever it takes to survive and provide better lives for their children. Our investments in emergency relief and more importantly, long-term investments in agricultural development, save lives, stabilize communities, catalyze development, and ultimately create a more secure and prosperous world.

Chairman Royce, Ranking Member Engel and Members of the Committee, thank you for the opportunity to submit this testimony. I have included here for the Committee's reference my full biography. And while this hearing today is focused on food aid reform, I am also including additional information about our Foundation's views on investments in small-scale agricultural production because I believe this is the long-term solution to reducing the need for aid. I welcome the Committee's work on reforming food aid and offer my services if there are future opportunities to continue this dialogue.

MATERIAL SUBMITTED FOR THE RECORD BY THE HONORABLE DAVID CICILLINE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF RHODE ISLAND

Navyn Salem, Founder, Edesia Inc.

Before the

United States House of Representative

Foreign Affairs Committee

Submission of written testimony

October 7th, 2015

Subject Matter: Reforming Food Aid: Desperate Need to Do Better

POC: Navyn Salem

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Edesia appreciates the opportunity to submit testimony to the House of Representative Foreign Affairs Committee Hearing on reforming food aid. Edesia is a Rhode Island-based non-profit manufacturer of high quality, peanut-based ready-to-use therapeutic and supplementary foods that are used to treat malnutrition in children around the globe. Edesia understands the importance of U.S.-manufactured, in-kind food assistance. Since our inception in 2010, we have reached 3 million children in 46 countries with our products. This includes over 8,000 metric tons of products for programs supported by the U.S. Agency for International Development (USAID) and the United States Department of Agriculture (USDA) – equivalent to providing over 1 million children with lifesaving treatments. We are proud of the part we play in helping to save the lives of children around the world – children who would not be reached without the generosity of the American people and the hard work of USAID, USDA and the United State's

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Congress. Saving these lives also helps to build safer world – healthy children have the ability to grow and reach their full potential.

Edesia's work supports the second UN Sustainable Development Goal of "Zero Hunger" with a target of ending all forms of malnutrition by 2030. For this to become a reality, we will need adequate funding and a balance of in-kind food aid and other forms of food aid (local and regional procurements, vouchers, etc.) that is flexible to meet the needs of the various populations and situations that are presented to the humanitarian community. An emphasis on nutrition security and aid that is fit-for-purpose, such as specialty nutritional products for treating and preventing malnutrition, will be increasingly important in order to reach the SDG goals for 2030. Greater flexibility also means more dollars to support the programing that is critical for innovative products to be used correctly and relevant data to be captured. In order for the best health and development outcomes to be achieved, those critical functions need to be funded.

The root cause of malnutrition is poverty; economic development and increased resiliency must be part of the long term strategy for improved nutrition. For this reason, we also support local and regional procurement in situations where a faster response is possible.

Our partnerships with USAID, USDA, and UN agencies not only allow us to reach children in need, but also allow us to create economic growth at home. Since our opening in 2010, we have grown from a company of 20, to today having a team of 75. Next year we are expanding to a new 82,000 square foot facility in the hopes that we can reach three times more nutritionally vulnerable children around the world.

Thank you for providing Edesia the opportunity to submit testimony. As international food aid programs are reviewed by your Committee we hope you will use us as a resource; we are highly experienced in the area of specialized food aid, and as a non-profit business, we understand the economics while also remaining committed to the goals. Please do not hesitate to contact me if the Committee has any questions or would like further information.

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