Food Aid or Band-aid?

By John Rivera and Conn Hallinan | August 30, 2006

FPIF invited Conn Hallinan and John Rivera to debate the issue of food aid. Hallinan, the author of the FPIF piece "The Devil's Brew of Poverty Relief," has been critical of the relationship between the food aid community and commercial interests. Rivera, a former reporter and editor at the *Baltimore Sun*, is a senior writer at Catholic Relief Services, where he works closely with his food aid colleagues.

For this strategic dialogue, FPIF decided to focus on the mechanism of providing food aid. The issue of whether charitable agencies should bring food in from the outside or buy food from farmers within the hungry country has been a hot issue in the aid community. Food aid organizations have also taken up the controversial practice of selling food aid alongside the more traditional practice of giving it away.

So we asked Rivera and Hallinan the following two questions:

1) **A large portion of food aid to the developing world is brought in from the outside. Some analysts have recommended that food be purchased locally for distribution to the needy or that cash be given to targeted recipients for purchase of food. Food from outside or food from within: which should it be?**

2) **Governments and aid agencies are increasingly *monetizing* food aid. In other words, they are selling food in the markets of recipient countries to generate cash resources for other hunger alleviation programs. For instance, in 2001, over two-thirds of non-emergency food aid from the United States was handled in this manner. Is this a positive trend or a negative one?**

John Rivera

In response to the first question: both, in a word. Purchasing food locally and using cash are two important parts of the humanitarian's toolbox; both are necessary, but not sufficient. But sometimes shipping food from the United States, although seemingly cumbersome, is a better solution—and can even be more cost efficient.

American non-governmental organizations (NGOs) like Catholic Relief Service (CRS) and CARE support buying food aid on local markets—when appropriate and feasible. Purchasing food locally is sometimes more efficient than shipping it from abroad, particularly in a food crisis where there are delays or breaks in the food aid pipeline. For example, CRS has made several purchases in recent years, particularly to address acute food shortages in Niger, Zambia, and Malawi.

One example of a direct payment to targeted recipients is a voucher system that CRS is employing in Kenya (similar in nature to U.S. Food Stamps). Disbursing cash was contemplated, but shopkeeper input and security issues convinced us to use vouchers. There is no opposition within the Private Voluntary Organization (PVO) community in general to using and learning from these alternatives to the traditional distribution of food aid shipped from the United States.

But there are other considerations that often make importing food a better option. These considerations include:

1) Whether there are adequate stocks of appropriate food to be delivered to the victims of emergencies. In much of the developing world, such stocks are not available locally.
2) The local purchase of commodities for emergency food aid may drive up the local price. It may force people who were not food insecure either to cut their consumption due to the price increase or to become recipients of food aid themselves.
3) The issue of quality control. The United States has standards in place, but many developing countries either don't have the same standards or don't enforce them. For example, sacks of beans will often contain stones to increase weight and volume.
4) The law of unintended consequences. Large purchases can skew local markets. If there are large purchases in one year, this can establish expectations for the next planting season. If the purchases aren't repeated, there could be an oversupply of crops leading to a subsequent drop in prices. This would likely reduce farmers' income and create more poor people.

The problem is that there are insufficient resources available to deal with world hunger at present. All U.S. government proposals for using cash for food aid would have diverted resources from long-term development programs to short-term emergency use. If additional resources were offered for local/regional procurement, or if reallocation from in-kind donations could assure that at least the present levels of feeding and food security programs for the world's poor would be maintained, there would be no question that the NGO community would be more enthusiastic about local/regional procurement. This has not been the case with any proposals that have been put forward.

On Monetization

The United States food aid program has two key categories: emergency food aid, which is used to feed people suffering from civil unrest, natural disasters, and other catastrophes; and non-emergency food aid, which is used to combat chronic hunger and food insecurity through long-term development programs. Food aid can have a more sustainable impact when it is part of longer-term, multi-year programs aimed at making generational changes. An example is a child survival project (which provides immunizations and primary health care) coupled with a school-feeding program carried out within the same village over the course of a decade. Together these programs boost immunization rates, improve early childhood development and child nutrition, and boost school attendance. They result in a generation of healthy and educated parents whose children will be even healthier and better educated.

NGOs have worked long and hard to encourage this kind of sustainable development as a way to prevent or lessen the severity of acute food crises. It has been estimated that investing $1 in mitigation and prevention of disaster by helping people develop resources to better withstand shocks and stresses, will save $7 in emergency response.

The level of non-emergency monetization in 2001 was an exception to the rule, and the current trend is downward. CRS supports decreasing the level of monetization, to the degree that other cash resources can be found to complement food aid in creating a more developmental program that can have lasting impact.

Although federal law states that 75% of U.S. food aid must be designated for these non-emergency, long-term development programs, the trend in recent years has been toward the opposite, to the point where currently 75% of food aid is now used for emergencies and 25% has been allocated for non-emergency development.

Monetization of non-emergency food aid is essentially one of the few ways for NGOs to procure money for these vital, integrated, multi-year programs. It must be pointed out, however, that large NGOs like CRS use a far smaller percentage of their non-emergency food aid for monetization than the figure cited in this question—it accounted for between 7% and 12% of the operating revenues of CRS between FY2004 and FY2006.

Monetization is admittedly not a very efficient funding mechanism for development purposes. CRS is seeking alternative sources of cash funding to achieve the purposes stated above. We invite monetization critics to lobby Congress for additional food aid resources and to find equal replacement funds for these vital development activities. We've tried and will continue to try, but have yet to fully succeed.

Conn Hallinan

The question of where to buy food—locally or shipped in from the donor country—is not an all or nothing issue. There are times when outside food aid is crucial simply because local food or local transportation systems are not up to the job of getting food quickly and efficiently to where it is needed. That said, the policy of requiring that the bulk of food come from the outside has more to do with the commercial interests of growers, shippers, and middlemen than on the needs of hungry people.

Agribusiness and transport lobbies represent the interests of mega-giants like Archer Daniels Midland and Cargill, allowing those companies to corner the bulk of food aid sales. The same kind of monopolization exists in the transport side of the equation. Aid organizations need to use a very long spoon to sup with the likes of these conglomerates. Cargill's soy operations, for instance, have inflicted distressing damage on the Amazon and its people, in spite of a dogged campaign by local environmentalists and Catholic activists against the huge company. In short, Cargill, like other big corporations, is no friend of the poor. Indeed, their policies—which include lobbying for massive subsidies that allow them to swamp local farmers with below market prices—many times end up fueling the food crisis in sub-Saharan Africa and other regions.

Of course sometimes it is the policy of free trade itself that does the damage. When the Clinton administration intervened in Haiti, one price of that intervention was that Haiti would open its market to Louisiana and California rice. Heavily subsidized U.S. rice quickly drove local Haitian rice growers out of business. Those farmers, in turn, migrated to the cities in order to get good aid, much of it in Louisiana and California rice. It was a case of robbing both Peter and Paul.

If food is purchased locally it puts the money in the hands of local farmers, which in turn trickles into the rest of the economy. Money that goes to Archer Daniels Midland goes into the corporation's coffers and its stockholders' pockets. In Cargill's case the company can turn around and use it to destroy the Amazon and impoverish its people.

Instead of aid organizations keeping a distance from the likes of these companies, they find themselves dependent on them, not only for the food which they distribute, but for the money they make by selling that food on the open market, so-called "monetizing." In fact, the relationship is so close that aid organizations may find themselves lobbying for the policies that contribute to the poverty they are committed to alleviate.

Certainly local food purchases can create local problems, from inadequate supplies to inflated prices. But Oxfam and other organizations have discovered that these problems can be overcome. Instead of using U.S. taxpayer-funded aid to enrich a handful of corporations, we should be using that money to encourage local farmers to grow more crops and fueling the surrounding economic system to raise standards of living.

On Monetization

The whole business of monetization is one that needs to be re-examined. Selling food to fund programs is a variety of Pinto's Law: "Do someone a favor, it becomes your job." It is also a policy that is little talked about because the taxpayers who buy that food, which is in turn sold to fund an organization's programs, would likely oppose it. And with good reason. Most aid organizations say monetization is the only game in town, but it is a game in which the cards are marked and the dice are loaded.

Aid organizations point to the fact that most food aid now goes for emergency purposes, a situation created by the massive tsunami in Southeast Asia and last year's devastating earthquake in Pakistan. But figures also show that poverty is on the rise worldwide, partly due to the economic policies of governments like India and China that have widened the gap between rich and poor, and partly because—the Bush administration's opinion notwithstanding—global warming has arrived and the world can look forward to widespread droughts and calamitous weather systems. "Emergency" will no longer be a condition created by a specific event, but the nature of the world we live in. It goes without saying that those who live on the margins—the poor—will suffer the brunt of this.

Because so much of the aid for the past few years has been for emergencies, aid organizations have increased their monetization rates to fund their development programs. But is this how we should be building development programs?

Washington is not particularly interested in development, especially when it might end up creating economic sectors that could more successfully compete with U.S. industries. The U.S. and Western countries dominate the World Bank—the Netherlands has more clout on that body than China—and designs its policies to keep the First World the First World, and the Developing World undeveloped. Want a water system? The World Bank will open the spigot. Want a transport system that will move agricultural goods from a rich area of a Sub-Saharan country to a poor area? The request tends to get lost in the bureaucracy.

Development should not be left to aid organizations. Development is in the interests of everyone on the planet. Independent of the moral dimensions of the problem, poverty leads to instability, both social and political. I have no quarrel with the Catholic Relief Services helping people develop their economies, but I have no input in that process (although my taxes help underwrite those programs), and I am not religious. The Catholics have a pretty good track record of not pounding people over the head with their dogma (abortion being an exception), but other organizations' evangelical litmus tests are a good deal more stringent. In any case, no aid organization, or even united front of aid organizations, can lift literally billions of people on this planet out of poverty. Monetization encourages the illusion that they can.

Round Two

John Rivera

It is difficult to respond to the bulk of Dr. Hallinan's argument, because in general he is discussing agricultural trade, not food aid. The examples he provides on the damage caused by agribusiness in the Amazon and to the rice market in Haiti are not related specifically to food aid and the harm done by it, but rather to trade agreements that have been designed to benefit wealthy nations and corporations, to the detriment of poor people. (By the way, there is no non-emergency distribution of U.S. rice as food aid in Haiti by any U.S. humanitarian agency, as implied by Dr. Hallinan.)

On the matter of our association with companies like Archer Daniels Midland and Cargill: Catholic Relief Services (CRS) does not purchase goods directly from these concerns, but our donors do. We acknowledge that food aid financially benefits commercial interests and that they lobby to protect the U.S. food aid program. His comments on transportation are particularly apt. But to blame humanitarian agencies for helping agribusiness concerns to despoil the environment and exploit the poor is a pretty far stretch. For one thing, U.S. food aid accounts for less than 1% of world trade in agricultural commodities, a trade dominated by concerns such as Cargill, ADM, Bunge, ConAgra, and Louis Dreyfus. They operate not only in the United States, but internationally, as his comments on Brazil illustrate. Food aid is not a prime source of their revenues; its total elimination would barely cause a ripple in their bottom lines. Moreover, such guilt by association with these corporations would have to extend to everyone who consumes grains or the other myriad commodities theses companies provide—basically everyone who eats. As ADM put it, they are the "supermarket to the world."

We wholeheartedly agree with Dr. Hallinan's statement that "the whole business of monetization is one that needs to be re-examined." CRS believes that monetization is inefficient and that other sources of cash should be made available. Incidentally, Dr. Hallinan's comments implying that corporate giants support and gain from monetization are inaccurate. Most companies such as Cargill and ADM are not advocates of monetization, because it lessens the commercial demand for their goods (it is after all sold to those who can pay) and the goods are often sold at prices below what the market will bear.

We must also correct two other misstatements. While acknowledging that most food aid (75%, on average) is used for emergencies, Dr. Hallinan incorrectly attributes this shift to the Indian Ocean tsunami and the earthquake in Pakistan. In fact, this trend of using a greater proportion of food aid for emergencies predates the tsunami by several years. It reflects a preference by the U.S. government to utilize food aid to respond to emergencies rather than supporting longer-term preventive efforts, given a limited federal budget.

In addition, we would like to clarify the statement that monetization rates have risen sharply in the last few years. Actually, after reaching a peak in 2001 of approximately 70%, monetization rates have been on the decline for the past several years, falling to about 50% of non-emergency Title II food aid commodities last year, i.e. approximately 12% by volume of all U.S. food aid.

Conn Hallinan

One of the difficulties in responding to Mr. Rivera's comments is that on several occasions he writes that I "imply" things (something I have never been accused of in the past. Most of the criticism I get is that I am too blunt), and then proceeds to demolish what I "imply." The destruction of straw men is great fun, but hardly illuminating.

I did not "imply" there was distribution of non-emergency rice in Haiti and I cannot imagine how he drew that conclusion. My point was that Mr. Rivera's artificial division of trade and aid creates situations where aid groups are trying to repair the damage caused by free trade. And artificial division it is. Trying to erect a barrier between the two reminds me of the old Tom Lehrer song on Werner von Braun: "Vonce the rockets are up, who cares vhere they come down, that's not my department."

There is nothing in my response that "blames humanitarian organizations for helping agribusiness concerns despoil the environment," though it is a lovely straw man. What I said was that aid organizations need a long spoon to sup with the likes of Cargill. What is true is that aid organizations are perfectly positioned to point out the enormous damage that agribusiness giants like Cargill do, and how those policies affect the poor. If trade policies cause poverty, isn't this a subject aid organizations should comment on? Even if it isn't their "department"?

Mr. Rivera also makes the odd argument that since food aid is such a small part of agribusiness's bottom line, it isn't important to them. The companies think differently, and if you want to find out how important it is to them, try messing with their guaranteed income from the taxpayers. Their lobbyists will steamroll you faster than you can say "soy." As for guilt by association, that is just silly. People have no choice in the matter of what they eat and where they get it when an industry is monopolized to the extent agriculture is. Again, the charge makes a nice straw man, but one that he created, not me.

It is hard to answer the charge that I "implied" corporate giants support monetization because I didn't. See "straw" and "man."

And lastly, I never suggested that the Indian Ocean tsunami and the Pakistan earthquake were the sole reasons that emergency aid was rising, but they did have a dramatic effect. I made it quite clear that emergency aid is rising because of economic inequity, a subject Mr. Rivera carefully avoids.

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