

# ISSUE BRIEF

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## Congress Should Reject Proposed Food Aid Shipping Mandate

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The U.S. House of Representatives approved the Coast Guard and Maritime Transportation Act of 2014 (H.R. 4005) on April 1. Largely unnoticed, H.R. 4005 would reverse reforms adopted in the Surface Transportation Extension Act of 2012 and the Agriculture Act of 2014 and increase the amount of U.S. food assistance required to be shipped on U.S. vessels from 50 percent to 75 percent. This increase would result in an estimated \$75 million in increased transportation costs and, as a result, reduce the amount of food assistance reaching refugees and other hungry populations.

The Senate should reject this counterproductive provision and, instead, work with the House and the Administration to pursue fundamental reforms of America's food assistance programs that would increase efficiency, effectiveness, and savings for the American taxpayer.

### America's Food Aid Programs

The United States has been providing food assistance around the world for nearly six decades to address starvation and emergency food shortages and to support agricultural development and related projects in developing nations. There are five

program authorities through which foreign food aid is distributed, but the largest by far is the Food for Peace (P.L. 480) Title II program, which comprises “about 50% to 90% of the total food aid budget annually over the past decade.”<sup>1</sup>

The Food for Peace program has five objectives: “(1) combat world hunger and malnutrition and their causes; (2) promote broad-based, equitable, and sustainable development, including agricultural development; (3) expand international trade; (4) foster and encourage the development of private enterprise and democratic participation in developing countries; and (5) prevent conflicts.”<sup>2</sup> The U.S. Agency for International Development (USAID) states that more than 3 billion people in 150 countries have benefitted from Food for Peace since its inception in 1954.<sup>3</sup>

The cost associated with the provision of U.S. food assistance is artificially increased by the requirement that a certain designated percentage of food aid must be shipped overseas on U.S. vessels. According to USAID, “Mostly due to sharp increases in the costs of fuel and food, the amount of commodities that U.S. government food assistance programs have shipped has declined sharply from five million metric tons in 2002 to less than 1.8 million metric tons in 2012.”<sup>4</sup>

Section 318 of H.R. 4005 would exacerbate this problem by increasing the food assistance shipping mandate from 50 percent to 75 percent.<sup>5</sup> If this provision is enacted, 75 percent of all U.S. food aid would be required to be transported on U.S.-flagged vessels even when more affordable transportation options are available, which would drive up shipping prices by an estimated \$75 million and (when combined with the previous elimination of reimburse-

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ments for excess ocean freight expenses) result in as many as 4 million fewer people benefiting from U.S. food assistance.<sup>6</sup>

### **The Primary Purpose of Food Aid Is to Provide Food**

Representative Duncan Hunter (R-CA), who sponsored H.R. 4005, justifies the change thusly: “The secondary reason for food aid is food. The No. 1 reason is military readiness.”<sup>7</sup> Hunter is twice wrong in his statement.

First, the original purpose of Food for Peace was to expand international trade and address food shortages. Subsequent legislation on food assistance programs repeatedly emphasized that its purpose is to address humanitarian crises and encourage development. Mandating that 75 percent of U.S. food aid be shipped on U.S. vessels would directly undermine these objectives.

Second, government assessments long ago concluded that food assistance cargo preference mandates do not support U.S. military capabilities. A 1994 General Accounting Office report concluded:

The application of cargo preference to food aid programs does not significantly contribute to meeting the intended objectives of helping to maintain U.S.-flag ships as a naval and military

auxiliary in time of war or national emergency or for purposes of domestic or foreign commerce.... DOD [the Department of Defense] does not view the U.S.-flag ships employed to transport bulk commodities for food aid programs as militarily useful. As for the crews that support those ships, DOD believes that they could be a potential source of manpower for the Ready Reserve Force (RRF) but does not believe that applying cargo preference to food aid programs is a cost-effective means of providing for crews.<sup>8</sup>

During the 2013 food aid reform debate, DOD affirmed this conclusion in a statement to Representatives Ed Royce (R-CA) and Eliot Engel (D-NY), chairman and ranking member of the House Foreign Affairs Committee: “The Department supports the President’s proposed reform of the food aid programs and has assessed that it will not impact U.S. maritime readiness and national security. The Department’s ability to crew the surge fleet and deploy forces and sustainment cargo will not be affected.”<sup>9</sup>

### **Reform Needed**

Although U.S. food assistance programs have been very helpful in addressing humanitarian crises, they are far from perfect and could be more efficient and effective. Specifically, Congress should:

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1. Melissa D. Ho and Charles E. Hanrahan, “U.S. Global Food Security Funding, FY2010-FY2012,” Congressional Research Service *Report for Congress*, April 28, 2011, <http://www.fas.org/sgp/crs/row/R41812.pdf> (accessed April 15, 2013).
  2. Food for Peace Act, 7 U.S.C. § 1691, <http://www.law.cornell.edu/uscode/text/7/1691> (accessed May 13, 2014).
  3. U.S. Food Aid and Security, “Food for Peace: Overview,” <http://foodaid.org/food-aid-programs/food-for-peace/> (accessed May 22, 2014).
  4. U.S. Agency for International Development, “Fact Sheet: Cargo Preference,” <http://www.usaid.gov/sites/default/files/documents/1866/Cargo%20Preference%20Fact%20Sheet%205%2015%202014.pdf> (accessed May 22, 2014).
  5. The Congressional Research Service summary states that the language “[i]ncreases from 50% to 75% the portion of commodities that must be transported on privately-owned commercial vessels of the United States when such cargo is related to the export activities of the Secretary of Agriculture (USDA) or the Commodity Credit Corporation (such cargo includes activities carried out under the Food for Peace Act and the Bill Emerson Humanitarian Trust Act).” Congressional Research Service, “H.R.4005: CRS Summary,” <http://thomas.loc.gov/cgi-bin/bdquery/z?d113:HR04005:@@@D&summ2=m&> (accessed May 22, 2014).
  6. U.S. Agency for International Development, “Fact Sheet: Cargo Preference.”
  7. Quoted in Kristina Peterson, “White House Warns Bill Would Crimp Foreign Food Aid,” *The Wall Street Journal*, April 24, 2014, <http://online.wsj.com/news/articles/SB10001424052702303834304579522032756706514> (accessed May 13, 2014).
  8. General Accounting Office (now Government Accountability Office), “Cargo Preference Requirements: Objectives Not Significantly Advanced When Used in U.S. Food Aid Programs,” September 29, 1994, <http://www.gao.gov/assets/160/154635.pdf> (accessed May 13, 2014).
  9. Letter from Under Secretary of Defense Frank Kendall to Representatives Ed Royce (R-CA) and Eliot Engel (D-NY), chairman and ranking member of the Committee on Foreign Affairs, U.S. House of Representatives, June 18, 2013, <http://foreignaffairs.house.gov/foodaid> (accessed May 22, 2014).
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- **Reject the provision in H.R. 4005 increasing the portion of food assistance that must be transported on privately owned U.S. commercial vessels.** This counterproductive provision would increase the cost of providing U.S. food assistance while reaching fewer people in need.
- **Eliminate legal requirements on the use of U.S. food and shipping.** Food aid programs should be run for the benefit of people who are starving. Allowing USAID to purchase food produced locally or regionally would respond more rapidly to crises and create savings from shorter shipping distances and competitive pricing.
- **Require U.S. producers and shippers to compete.** U.S. farmers and shippers should be eligible to participate in food aid programs, but the government should not pay more for U.S.-grown food to be shipped on U.S.-flagged vessels if more affordable options are available.
- **Recalibrate the funding for food assistance.** As overall efficiency and cost-effectiveness in U.S. food assistance increases through these reforms, Congress should trim the food aid budget. If unusual events demand increased funding, the Administration should seek supplemental appropriations.

Many of these reforms were proposed in the Royce–Bass Food Aid Reform Act (H.R. 1983), which estimated that U.S. taxpayers would “save \$500 million over the next ten years while at the same time enabling the United States to reach more people, more quickly, at less expense.”<sup>10</sup>

### A Step Backward

H.R. 4005, as passed by the House of Representatives, would undermine the modest reforms made to food aid in recent years that were designed to improve the flexibility and effectiveness of food aid. Congress should reject this provision and, instead, work with the Administration to support and expand reforms directed at improving the efficiency of America’s food aid programs.

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10. Committee on Foreign Affairs, U.S. House of Representatives, “Royce–Bass Food Aid Reform Act Section-by-Section,” <http://foreignaffairs.house.gov/sites/repUBLICans.foreignaffairs.house.gov/files/Food%20Aid%20Reform%20Act%20Section-by-Section.pdf> (accessed May 13, 2014).