



*Indonesian child eating white bread*

## Hunger, Crisis, and Business: The Perfect Storm of Food Aid

**A**t the June 1-4, 2008 FAO Food Security Summit in Rome, representatives of 181 countries reaffirmed their commitment to food security goals from previous summits held in 1996 and “Five Years Later.” Delegates voiced concern about the lack of progress toward the UN Millennium Development Goals. That’s it for the good news.

Originally, this Summit planned to tackle agrofuels, climate change and food security. However, due to the explosive inflation of food prices—and the United States’ and Brazil’s refusal to allow any criticism of agrofuels—the FAO was forced to adopt a narrow focus on the food crisis that currently plagues one fifth of humanity.

In fact, in 2007—on the eve of the food rebellions in Haiti, Mauritania, Indonesia, Egypt, and other countries—food aid had reached an all time low of 5.9 million tonnes.<sup>1</sup> Something had to be done.

Unfortunately for the poor and hungry in the world, the Rome Summit was a failure. The government representatives the World Bank, elements of the FAO, the International Fund for Agricultural Development, and the World Food Program all ignored the structural causes of the current food crisis, and the fact that—according to the FAO—we already have 1.5 times the food necessary to feed everyone in the world. They ignored the results of the recent International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD), which promotes the re-allocation of agriculture to small-holder farmers and peasants and warns that neither the agro-industrial complex nor biotechnologies will solve the food crisis. They ignored

**FOOD FIRST**

398 60th Street, Oakland, CA 94618  
Phone: (510) 654-4400  
Fax: (510) 654-4551  
E-mail: [foodfirst@foodfirst.org](mailto:foodfirst@foodfirst.org)  
Web site: [www.foodfirst.org](http://www.foodfirst.org)

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Gretchen Gordon, Brahm Ahmadi,  
Saturnino (Jun) M. Borras, Jr.,  
Jonathan Fox, Raj Patel, John Vandermeer,  
Ivette Perfecto, Catherine Badgely

**INTERNS AND VOLUNTEERS**

Jessica Aguirre, Vanessa Barrington,  
Bastian Bethauser, Georgina Catacora,  
Trisha Chakrabarti, Heidi Connor, Matthew  
Dintenfass, Amanda El-Khoury, Angela Glore,  
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The Institute for Food and Development Policy—known as Food First—is a member-supported, nonprofit “peoples’” think tank and education-for-action center. Our work highlights the root causes and value-based solutions to hunger and poverty around the world, with a commitment to establishing food as a fundamental human right.

the protests of 100 civil organizations from 50 countries that met at the same time in Rome under the motto “Terra Preta” (Black Earth) to demand food sovereignty as a human right.<sup>2</sup> Consequently, the batch of recycled recipes offered as “solutions” to the crisis were very simple: more Green Revolutions, more trade liberalization...and more food aid. Perversely, these are the same measures that created the broken global food system in the first place.

The Rome Summit mustered U.S. \$12 billion in new commitments to manage the current crisis<sup>3</sup> falling far short of the \$30 billion solicited by Jaques Diouf, General Director of the FAO, who emphasized the need to reconstruct agriculture in the Global South.<sup>4</sup> Without going into the specifics of the FAO’s request, it is striking that even in the midst of this crisis, agricultural assistance is a miserable fraction of what is needed. However, even before the Summit, the World Food Program (WFP) easily managed to raise the \$755 million for emergency food aid that it requested from the international community. Even though the WFP is still short half its annual budget of \$4.5 billion, it has had more luck getting funds for emergency food aid than Director Jaques Diouf has had in his campaign to reconstruct agriculture.

How do we explain the ease with which Northern governments support emergency food aid programs, but resist supporting agriculture?

## Business, Politics, and Food Aid

The meager assistance offered by the North reflects a decades-long systemic trend. Food aid is dominated by the U.S. model, initiated in 1954 with the passing of Public Law 480. The objective was “to lay the basis for a permanent expansion of our exports of agricultural products with lasting benefits to ourselves and peoples of other lands.”<sup>5</sup>

This expansion of aid was possible thanks to over production of grains in the North, followed by the systematic dismantling of food systems in the

South. In the 1970s, countries of the Global South had a food trade surplus of \$US 1 billion annually. By 2001, after 30 years of agricultural development programs and food aid from the North, these “developing” countries registered a food trade deficit of \$US 11 billion.<sup>6</sup>

While this food trade deficit results from a variety of political-economic factors that characterize corporate globalization, it’s important to note that, despite recent changes in aid procurement by the European Union, food aid cereals are primarily purchased in donor countries—even while many recipient countries are often exporting food. By “donating” subsidized foods which can then be sold below costs of production, Northern countries undermine small-scale food producers in the Global South. Overproduction is maintained thanks to the exorbitant subsidies that the U.S. and the EU countries provide for grain production. These subsidies—reaching \$US 1 billion per day—actually benefit transnational corporations more than the farmers growing this surplus. This figure is six times the annual development assistance from the Organisation for Economic Cooperation and Development (OECD). However, these subsidies are just part of the lucrative business of food aid:

- By law, 75% of food aid from the US must be purchased, processed, transported, and distributed by US companies;<sup>7</sup>
- In 2002, just two US companies—ADM (supermarket to the world) and Cargill—controlled 75% of global grain trade with U.S. government contracts to manage and distribute 30% of food aid grains. Only four companies control 84% of the transport and delivery of food aid worldwide;<sup>8</sup>
- Bilateral trade agreements control 50 to 90% of global food aid. For example, U.S. aid requires recipient countries to accept genetically modified grains;<sup>9</sup>
- In 2007, 99.3% of U.S. food aid was “in-kind,” that is, food procured in

the U.S. and shipped to recipient countries on corporate ships, rather than purchased with cash or coupons closer to recipients.<sup>10</sup>

Apologists for this kind of food aid insist that the private sector is the most efficient way to distribute food. This assertion ignores not only the huge state subsidies, but also the enormous inefficiencies and inherent manipulations in food aid dominated by monopolies:

- In general, the delivery of food aid from vendor to village takes 4-6 months;<sup>11</sup>
- Transaction costs take over 60% of the total emergency food aid budget;<sup>12</sup>
- This food aid frequently adds 30% efficiency losses due to “tying” purchases to U.S. companies;<sup>13</sup>
- Food aid reaches less than one quarter (a mere 200 million people per year) of the 850 million people who are hungry. If evenly distributed, recipients would receive only 50 kilograms each... if all food aid were divided amongst the 850 million hungry of the world it would amount to only 26 pounds per person annually—falling far short of the urgent needs.<sup>14</sup>

In 2006-2007, despite growing hunger, food aid fell globally by 15% to 5.9 million tons for the year—the lowest level since 1961. This reflects the tendency of food aid to respond to international grain prices—and not to the food needs of the poor. When the price of cereals is low, Northern countries and transnational grain companies sell their commodities through food aid programs. When grain prices are high, they sell their grains on the global market. Reminiscent of the 1971 hunger crisis, the price of food today is so high that the poor cannot afford it. As more people suffer from hunger, less food aid arrives.<sup>15</sup>

There are three types of food aid: program aid, project aid, and emergency aid. Program aid is not really food aid, but cheap food sales that allow a recipient country to reduce its trade deficit while helping the donors (including



*Young woman eating a mud cookie in Haiti which imports most of its food, leaving many Haitians hungry due to food price increases*

ADM and Cargill) to dispose of surplus commodities. Project aid is used for projects including food for work and food for school programs, most often distributed by the World Food Program (WFP) and nonprofits. The third is emergency aid, originally used to mitigate hunger accompanying natural disasters and wars. This emergency aid is primarily distributed by the WFP and three North American NGOs: CARE, World Vision, and Catholic Relief Services.

Since 1996, emergency aid has been replacing program and project aid, becoming a permanent factor in the economy of many countries (in Africa, for example). Ten years ago, program aid accounted for 70%, and emergency only 10% of total food aid. Now the relationship is completely inverted—donors distribute 10% of food aid as program aid and 70% as emergency aid.

To a significant degree, this reflects the U.S. government's decision to abandon cereal reserves in the 1996 Farm Bill. At the same time, the dismantling of grain reserves by countries of the Global South has been required since the 1980s as a condition of the Structural

Adjustment Programs (SAPs) imposed by the IMF and the World Bank. This policy has locked the fate of world food systems into a strategy of global “free” trade. Now each country's food security is in the capricious hands of the international grains market—with prices determined by the Chicago Board of Trade.

## **From crisis to sovereignty: building food systems**

The failure of the June 2008 Rome Summit not only reflects the failure of the food aid model, but also the failure of the global food system. It reveals the weak political will of governments and international institutions, which, in their eagerness to serve the interests of a handful of transnational monopolies, perpetuate the crisis.

To hope that the industrial agri-foods complex will save us from the crisis—while, thanks to the crisis, Cargill (trading in grains), Monsanto (seeds), and Mosaic (fertilizers) are raking in record quarterly profits of 45%, 60%, and 1200%—is like asking a pyromaniac to help put out the fire. However, to leave the multinational institutions and food policies in their hands would be to abandon an important public policy space in a time when each day they are becoming fewer and weaker. We must heed Terra Preta's demands for food sovereignty<sup>16</sup> and the IAASTD's recommendations for sustainable agricultural development<sup>17</sup> and insist

## **NOTES**

<sup>1</sup> at <http://www.un.org/apps/news/story.asp?NewsID=26969&Cr=wfp&Cr1>

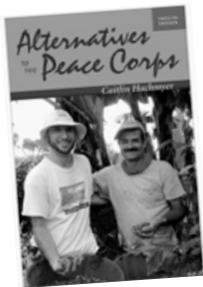
<sup>2</sup> [http://www.foodfirst.org/files/pdf/Terra-Preta-Statement\\_1.pdf](http://www.foodfirst.org/files/pdf/Terra-Preta-Statement_1.pdf)

<sup>3</sup> <http://www.fao.org/newsroom/en/news/2008/1000858/index.html>

<sup>4</sup> [http://www.fao.org/fileadmin/user\\_upload/foodclimate/statements/fao\\_diouf\\_f.pdf](http://www.fao.org/fileadmin/user_upload/foodclimate/statements/fao_diouf_f.pdf)

<sup>5</sup> [http://www.usaid.gov/our\\_work/humanitarian\\_assistance/ffp/50th/history.html](http://www.usaid.gov/our_work/humanitarian_assistance/ffp/50th/history.html)

<sup>6</sup> The State of Agricultural Commodity Markets, FAO, 2004 en *Food Aid or Food Sovereignty* by Frederic Mousseau, 2005, Oakland Institute

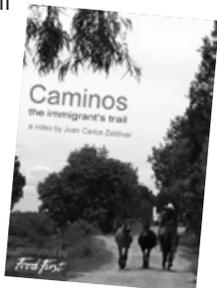


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### NOTES

- <sup>7</sup> GAO, Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid, U.S.G.A. Office, Editor. 2007.
- <sup>8</sup> Barret, C.B. et al., *Food Aid After Fifty Years: Recasting its role*. 2005, New York: Routledge. 314.
- <sup>9</sup> *The State of Food and Agriculture: Food aid for food security?* 2006, Food and Agriculture Organization of the United Nations: Rome. Y, OECD, The Development Effectiveness of Food Aid: Does Tying Matter?, in The Development Dimension. 2006.
- <sup>10</sup> Food Aid Flows, 2007, Food Aid Monitor, International Food Aid Information System. Policy, Planning and Strategy Division, Office of the Executive Director, World Food Program: Rome
- <sup>11</sup> GAO, Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid, U.S.G.A. Office, Editor. 2007
- <sup>12</sup> Ibid.
- <sup>13</sup> Ibid.
- <sup>14</sup> The State of Food and Agriculture: Food Aid for Food Security? 2006 Food and Agriculture Organization of the United Nations; Rome.
- <sup>15</sup> Food Aid Flows, 2007, Food Aid Monitor, International Food Aid Information System. Policy, Planning and Strategy Division, Office of the Executive Director, World Food Program: Rome
- <sup>16</sup> <http://www.foodfirst.org/files/pdf/DECLARACION%20DE%20LA%20SOCIEDAD%20CIVIL%20FRENTE%20A%20LA%20CRISIS%20ALIMENTARIA.pdf>
- <sup>17</sup> <http://www.agassessment.org/index.cfm?Page=IAASTD%20Reports&ItemID=2713>

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