

“Food Aid: Separating the wheat from the chaff”

**Launch of
*Food Aid and Agriculture Trade Reform***

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Speech by

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Thank you for the opportunity to speak this afternoon and to offer my reflections on what I think is a very useful overview of the impact of food aid.

David's monograph focuses on the impact of food aid on international trade, particularly highlighting its distorting effects. He illustrates the often cynical manipulation of world markets through the use of food aid and its use as a form of support for producers in some of the richest countries in the world.

I'd like to focus on the impact of food aid on the long-term development prospects of people living in poverty in recipient countries and to make some suggestions on ways in which the food aid regime can be improved. Some of my suggestions will accord with those outlined by David.

But first, two opening comments.

There is a global food security crisis. More than 850 million people suffer chronic malnutrition. Reducing by half the proportion of people suffering from hunger by 2015 is a key target of the United Nations Millennium Development Goals (MDGs) supported by among other Heads of Government, our Prime Minister John Howard. The right to food is enshrined in numerous international instruments. And the reality is that enough food is produced to fulfill the minimum calorific requirements of humanity – the Food and Agriculture Organisation (FAO) stated in 2001 that the total global food supply amounted to 2,800 calories and 76 grams of protein per person per day – plenty to nourish the world's population and remove chronic hunger.

The reasons for food insecurity in different parts of the world differ; require detailed analysis and long-term development.

Secondly, not all food aid is bad. Sometimes it can literally be life-saving. This is particularly the case in dire humanitarian emergencies where there are no other food stocks and where the food supplied is appropriate and received in a timely manner. As David notes:

“Emergency aid is an ethical and appropriate response to humanitarian disaster.....”

He later observes that:

“Short-term emergencies such as natural disasters, armed conflicts or crop failures often require the immediate provision of food aid for humanitarian reasons. There can also be situations of persistent food shortages caused by economic or physical constraints.”

But even in these situations it's got to be the right sort of food aid and supplied in the right manner. The reality is that even in most emergencies, in-kind food aid often fails to improve access to food due to delays in delivery, as well as a mismatch between recipient needs and the commodities donated.

Far too frequently in-kind emergency food aid arrives just too late, well after the critical stage of an emergency. The cost of transportation makes this sort of aid, especially in emergency situations, vastly more expensive than locally produced food and often never reaches the people who really need it. Pirates have hijacked ships traveling to Somalia and the reality is that food aid has often become a political tool in places where only a ruling party's supporters have access to food.

Again even in emergency situations, food aid can also be inappropriate both practically and culturally. One of Oxfam's Emergency Coordinators recently told me of his observations in Wajir, Kenya during one of the worst droughts in decades. The World Food Program had been distributing dried chick peas provided by the United States. The sad reality is that it takes a lot of water to reconstitute a chick pea and at that time in Wajir people were walking ten kilometres or more on at least a daily basis to collect limited supplies of water. If the wrong sort of food is provided – food which is not culturally appropriate – and every society has some form of food taboo – then it is at best likely to be ineffective.

So there many countries that suffer from food insecurity and secondly, the right sort of emergency food aid, delivered in the right sort of way can be justified and be necessary.

But most food aid is not so benign.

Briefly, I'll look at a number of the negative impacts of food aid on the long-term development prospects of recipient countries.

First, food aid can displace local production.

The livelihoods of poor farmers can be undermined by creating disincentives for local food producers, by flooding markets and depressing prices. Substantial food aid provided over the long term can actually discourage local production and result in increased poverty and food insecurity due to increased dependence on food imports.

An example.

In 2002 and 2003 aid donors over-reacted to a projected 600,000 tonne food deficit in Malawi and sent close to that amount of food in aid. However, commercial and informal importers also moved to plug the gap and brought in an additional 350-500,000 tonnes. Markets were flooded, maize prices dropped from \$250 to \$100 per tonne in the course of a year. Local production of maize, cassava and rice fell markedly and estimated losses to the Malawian economy were approximately \$15 million.

Another reality is that when food aid declines it is usually replaced by commercial imports rather than local production. For countries which will frequently have precarious balance of payments situations this can be particularly harmful.

Secondly, food aid crowds other exporters out of markets, including exporters from other developing countries.

An example. In the 1990s Guyanese rice producers developed an important export market in Jamaica which grows little rice itself. Rice exports from Guyana to Jamaica grew from 7000 tonnes in 1994 to 57,700 tonnes in 1997. A good example of South-South trade. But then US food aid rice began pouring into the market, displacing the Guyanese product.

As the General Secretary of the Guyana Rice Producers Association put it:

“..US food aid was meant to boost food security....It was supposed to assist in the elimination of poverty, not in creating it. And we have seen a direct effect whereby in the very process of eliminating poverty in one place, we have poverty being created in another region....”

David convincingly demonstrates the motivation behind much food aid. And I have tried to briefly outline some of the consequences for the people and economies supposedly the beneficiaries of such aid.

It is difficult not to concur with David's assessment that *“It is apparent that some donors use food aid as a form of indirect price support at times of high supplies on the domestic market”*

David cites recent trends in food aid which show that when prices are low and stocks are high, so is food aid. When prices are high, stocks low, food aid supplies are low. This is seemingly regardless of the needs of recipient countries.

What should also be clear that is not a new trend.

More than thirty years ago during the economic shocks of 1973 when prices for cereals peaked at record post-war levels, many developing countries faced chronic food shortages. Shipments of non-emergency US food aid under their PL 480 program dropped to less than one tenth of the levels provided in the mid 1960s.

Why?

Commercial sales made surplus disposal unnecessary.

This is not surprising. Most food aid programs have their origins in domestic agriculture policy. US food aid programs were formalised back in the 1950s as a means of disposing of government-held surplus stocks which had accumulated as a function of price-stabilisation policies in domestic agriculture. Ditto in Canada. Western Europe countries began to donate food aid in the 1950s – in some cases food aid was cheaper than storing it.

So what is to be done? How can food aid be made developmentally friendly?

Put simply, cash rather than carbohydrates.

If all food aid contributions were made in unrestricted cash donations there would be relatively little controversy. The World Food Program, governments and NGOs could purchase food on the open commercial markets and distribute it to hungry people relatively quickly and efficiently.

Currently about 90 per cent of food aid donations are made in the form of food commodities purchased from donor countries. This is despite the strong development and humanitarian arguments for donating in cash.

Cash is almost always faster. In humanitarian disasters delays of days, let alone weeks can literally make the difference between life and death. In 1999-2000 US food aid emergency shipments experienced a delay of nearly five months. By contrast cash can be used to purchase food in close proximity to where it is needed. And by doing so helps build local capacity.

Cash transfers can also be a way to empower those in need to make their own decisions about what is best for them and their families. Oxfam has found little evidence of cash grants creating inflation in areas where we have operated. In Somalia, for example, the majority of people divided their grant between partial debt repayment, replenishing food supplies and education for their children. In Kenya it has enabled people to break the cycle of food aid dependency that has been in place since the 1960s.

And cash is cheaper. According to an OECD study shipping food aid from donor countries is 33 per cent more expensive than buying it from a third party country, usually closer to the destination, and 46 per cent more expensive than buying it locally in the destination country. US carriers charge \$US171 a tonne, compared with \$US100 a tonne the world food Program can normally get from their own contractors.

And of course cash can be used to buy more appropriate food.

Briefly two other issues raised by David's study.

David proposes that an international organisation should be empowered to make declarations of emergency situations. The sad reality is that such declarations would be highly political. I'll just mention a number of countries or emergency situations – Zimbabwe, Darfur and Iraq. A declaration by just one international organisation – say the WFP, OCHA, UNHCR or whoever - of an humanitarian emergency requiring at least in part a food aid response would be a highly controversial, highly politicised and contested decision.

This is an instance where we probably need a multiplicity of voices. And a multiplicity of voices which are seen to be politically neutral and which by and large concur. Oxfam argues that food aid should only be provided in response to calls from national governments, specialised UN agencies, other relevant regional or inter-governmental bodies, non government humanitarian organisations or private charitable bodies.

It should be backed up by a requirement that all food aid transactions must be notified in a timely manner to the FAO and WTO.

And then there's the question of monetisation.

In 2005 22% of all food aid was sold, not distributed.

David argues that monetisation – that is converting food aid to cash – is “an inefficient, high cost way of providing development assistance”. I concur. It is untargeted – selling food aid on markets permits little or no targetting of distribution or consumption to the most food insecure or malnourished populations.

At the very least I would argue that monetisation should be limited and replaced with cash donations.

A final comment. To go back to one of my first points. There is a global food security crisis. Food aid is at best going to have limited positive impact on this crisis. We need to prioritise tackling this crisis with at the very least an investment in long-term development and reform of the rigged rules and double standards of the international trading system. To achieve these goals evidence based debate and discussion is vital.

In that spirit David's monograph should make an extremely useful contribution.