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GLOBAL: USAID reviewing food aid as costs soar



Demand outstripping supply

Photo: Marco Manzelli/IRIN

JOHANNESBURG, 25 March 2008 (IRIN) - After a recent announcement that it will cut the amount of food aid it gives poor countries, the United States is likely to shift most of its focus to emergency needs, the American government agency responsible for humanitarian aid has hinted.

The US Agency for International Development (USAID) told IRIN on 25 March that it was reviewing its food aid plans "to ensure our resources go to the highest priority needs." Last month, USAID announced that the cost of wheat and other food had gone up by 41 percent setting its budget back by US\$121 million, which meant it

would have to reduce the amount of food aid sent overseas.

Harry Edwards, a press officer for USAID said, "Commodity and ocean freights costs are increasing globally; as these two factors comprise the majority of food aid budgets, the price increases are reducing the tonnage of food aid available".

Food prices have risen in part because of increased demand. But the cost of food aid has also been directly hit by freight charges, which have shot up because of rising oil prices. The price spike at the beginning of 2008 follows a 34 percent increase last year. The USAID annual budget for food aid, with supplemental appropriations, is about \$1.5 billion.

The food aid cuts will affect the agency's emergency operations in more than 40 countries across the world. The US is the world's biggest food aid donor, contributing an average of six million tonnes of cereal annually since 1970. It funds half of the UN's World Food Programme (WFP), which is responsible for 40 percent to 50 percent of global food aid.

Besides emergency food, the US also provides monetised food aid, when food is bought at subsidised prices in the donor country and sold in the recipient country to generate funds for development projects. The US is one of very few countries that does this; most donors give food in kind or supply cash to UN agencies or NGOs for buying food on national or world markets.

"The prospect of the food aid budget in the US going up is very dim - so it will have to make the donated dollar work more efficiently and prioritise," explained Christopher Barrett, who teaches development economics at Cornell University and edits the American Journal of Agricultural Economics.

Remove restrictions

"In cases where the US is the primary donor, it will have to relax its binding restriction, which does not allow food aid to be procured locally [in the recipient country] and regionally; improve timeliness of response and focus on emergency food aid."

Almost all food aid donated by the USA is tied to domestic requirements for procurement, processing and shipping. "Freight costs form a major portion of the costs of food aid," said Barrett. According to him, it costs more than two dollars of US taxpayers' money to deliver one dollar's worth of food procured as in-kind food aid.

American legislation requires that 50 percent of commodities be processed and packed before shipment; and that 75 percent of food aid managed by USAID, and 50 percent of the food aid managed by the US Department of Agriculture, be transported in "flag-carrying" US-registered vessels.

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"The agency is looking for opportunities to reduce costs where possible," said Edwards. "It is seeking to reduce commodity costs by working with aid agencies implementing food aid programmes to use lower cost commodities and reduce transport costs by consolidating small orders."

Jeff Borns, director of USAID's Food for Peace programme was quoted in the Washington Post as saying, "We're in the process now of going country by country and analysing the commodity price increase on each country. Then we're going to have to prioritise."

But these are "short-term responses" to the situation, added Barrett. "Fuel and food prices are going to continue to rise; in the long term the solution lies in stimulating smallholder farmers into producing more food in poor countries."


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