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Meal Ticket

Farmers, Charities Join Forces To Block Famine-Relief Revamp

**Bush Administration Wants
To Purchase African Food;
Lobby Says Buy American**

Proposal Is Stuck in Congress

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American humanitarian groups, armed with food donated by the U.S. government, have fed millions of starving people around the world over the past half-century. So Bush administration officials figured the charities would support changes to America's food-aid program aimed at saving even more lives from famine.

Starting next year, the White House wants to spend one-quarter of its food-aid budget to buy overseas goods to feed starving foreigners. Currently, it's required to buy that produce from American farmers. The administration says the change will cut the cost of buying and shipping commodities and save 50,000 more lives a year.

But in a twist that reveals the peculiar alliances behind international aid, the charities are opposing the shift, in particular its size. That's because, for years, their humanitarian mission has been bound in an alliance with the American farmers, millers, port operators and shippers, who are paid by Uncle Sam to produce food and haul it to hunger zones overseas.


American agriculture prizes the income it earns from food aid and is a powerful constituency lobbying Congress to maintain the \$1.2 billion program. Charities fear that slashing funds spent on U.S. commodities would erode the farm sector's interest in food aid. They doubt they could win as much congressional support for their efforts solely on the principle that fighting famines is important.



The aid groups also fear the transfer of funds is really a budget cut in disguise, shifting money away from their long-term agriculture development projects and toward emergency feeding programs.

Without the support of the charities or farmers, the proposal to overhaul food aid is languishing in Congress. Andrew S. Natsios, administrator of the U.S. Agency for International Development, which oversees the food-aid

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program, calls the opposition "morally indefensible." He asks: "If you can get more food for the money, why not do it? Just to protect the cartel?" The opposition from religious-based charities is particularly galling to the administration, which had assumed their support.

Michael R. Wiest, the chief operating officer of Catholic Relief Services says the budget fight is, "the largest crisis in the history of the food-aid program."

The "Food for Peace" program, as it is called, was signed into law by President Eisenhower in 1954. Since then, America's food-aid effort has branched out to work with 48 charities and foreign government organizations. Last year, the U.S. government donated 3.4 million metric tons of commodities to use as food aid in about 80 countries.

The program is governed by a bundle of regulations that favor U.S. agriculture. In all but the most exceptional cases, the U.S. government has to donate homegrown food for aid instead of sending cash or buying food overseas. In the 1950s, the idea was to help whittle down large U.S. crop surpluses generated by subsidizing American farmers.

In addition, 75% of food aid must be shipped on vessels owned by U.S. companies -- a sop to that industry, which charges some of the steepest prices on the high seas. Much of the food can't be shipped by bulk, adding to its cost. Because ports in many poor countries still unload ships by hand, the produce has to be put in 55- or 110-pound bags, which are also easier to distribute inland. The cost of freight for some American commodities is nearly as much as the cost of the commodities themselves.

While parts of Africa are routinely wracked by hunger, some countries often produce surpluses of wheat and corn. In 2003, for instance, the U.S. sent roughly 100,000 tons of American-grown grain to Uganda at a cost of \$57 million to feed people in the country's north. At the same time, Ugandan farmers elsewhere were producing surplus crops their government couldn't afford to buy and transport. John Magnay, chief executive of Uganda Grain Traders Ltd., estimates that the U.S. could have purchased more than twice as much grain if it had bought it locally. He calculates that USAID spent \$447 per ton for U.S. corn delivered to his country. The cost for Ugandan corn: \$180 per ton.

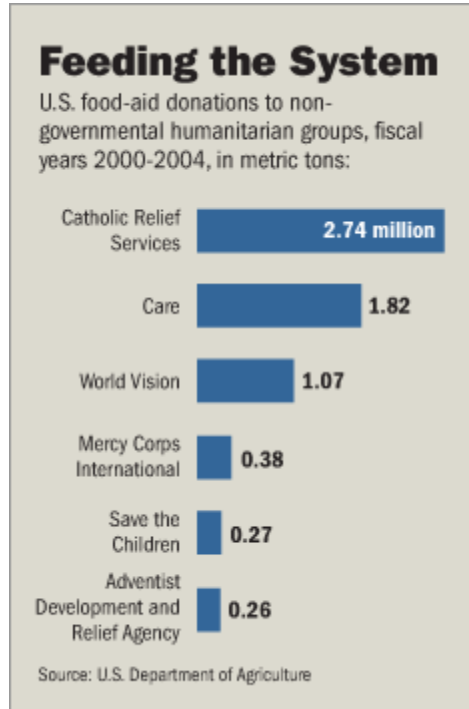
This was the case Mr. Natsios brought to the food-aid community's annual convention in Kansas City, Mo., where grain-marketing executives in suits mingle with relief workers in blue jeans and T-shirts, as processors of everything from potatoes to buckwheat pitch their famine-fighting attributes. This May, nearly 800 people attended. An ocean-shipping firm organized a golf outing while a railroad helped to provide breakfast.

Experience With Hunger

Mr. Natsios, 56 years old, grew up listening to stories of his family's experience with hunger in Greece during World War II. A retired lieutenant colonel in the U.S. Army Reserves, he started public life in 1975 as a Republican state legislator in Massachusetts, where he served alongside Andrew H. Card, now President Bush's chief of staff. He served in the administration of George H.W. Bush at USAID, and then spent much of the Clinton administration as a vice president of World Vision, a nondenominational Christian group. He took the reins of USAID in 2001.

In a combative speech, Mr. Natsios laid out the administration's proposal to take \$300 million

from the \$1.2 billion Food for Peace program and use it to buy food as close as possible to countries stricken by famine.



Mr. Natsios pressed his plan by suggesting how it could have saved lives in Ethiopia during its 2003 famine. A bumper wheat harvest the previous year depressed local prices so sharply that farmers were discouraged from planting. When drought hit in 2003, production was further slashed and a famine was born. Mr. Natsios said the U.S. should have bought Ethiopian wheat in 2002 to use as food relief. Such a move also would have stabilized prices and supported the local farm economy.

Instead, in 2003, the U.S. rushed in \$500 million of U.S. food to feed 13 million starving Ethiopians. The American food traveled on roads that ran right past local warehouses filled with the 2002 Ethiopian harvest.

Mr. Natsios suggested that humanitarian groups didn't need to align themselves with the farm lobby. "The fact that U.S. farmers and shippers are able to benefit from the Food for Peace program is an important, but secondary benefit," he said. "The primary objective is to save lives."

The response to the speech was "hostile," the USAID chief recalls. Says Robert Zachritz, senior policy adviser at World Vision, which also distributes U.S. food aid: "He didn't make friends."

Relief officials at the conference wore white buttons displaying a simple black "2." That's two as in \$2 billion -- the food-aid funding they're seeking in the 2006 federal budget. They were in no mood for talk of shifting money from the food-aid budget at a time when Washington is scouring its ledgers for programs to cut.

Most aid organizations acknowledge that buying food locally could help feed more people in times of emergency. But they're only willing to back Mr. Natsios's proposal if it's funded by additional spending, rather than a cut in the funds spent on U.S. commodities. To preserve funding for the food-aid program, the charities believe they must take into account the financial interests of farmers at home.

"These are tough choices and we agonize over them," says Peter D. Bell, president and chief executive officer of Care USA, a relief group based in Atlanta. "You could come out further behind if you lose political support." While the group says it supports the local-purchase concept, it doesn't want to see cuts in Food for Peace's budget for long-term development projects.

Much of the food donated under Food for Peace is used by the relief organizations to pay poor villagers for work on agriculture improvement projects -- such as digging irrigation ditches and building roads -- or for long-term efforts such as school-feeding programs. The aid groups also sometimes sell the donated commodities to finance these projects.

USAID officials have already cannibalized such projects to muster food aid in response to hunger crises in Africa. "We're being asked to endorse a further evisceration of the development

programs," says Mr. Wiest, who ran many of those projects during his two decades in Africa for Catholic Relief.

Local purchase would also hit the charities themselves. Distributing U.S. wheat, corn and beans is an important operation of their activities abroad. For Catholic Relief, donations of commodities and transport costs, which come largely from the U.S. government, totaled \$281 million, or just over 50% of its fiscal 2004 budget.

Mr. Wiest denies that Catholic Relief's opposition is in defense of its own well-being. Every day, he passes a plaque in the charity's Baltimore headquarters featuring the Gospel of St. Matthew: "For I was hungry and you gave me food. I was thirsty and you gave me drink." He says: "I can say without blinking that our opposition to that proposal has nothing to do with an impact on our bottom line."

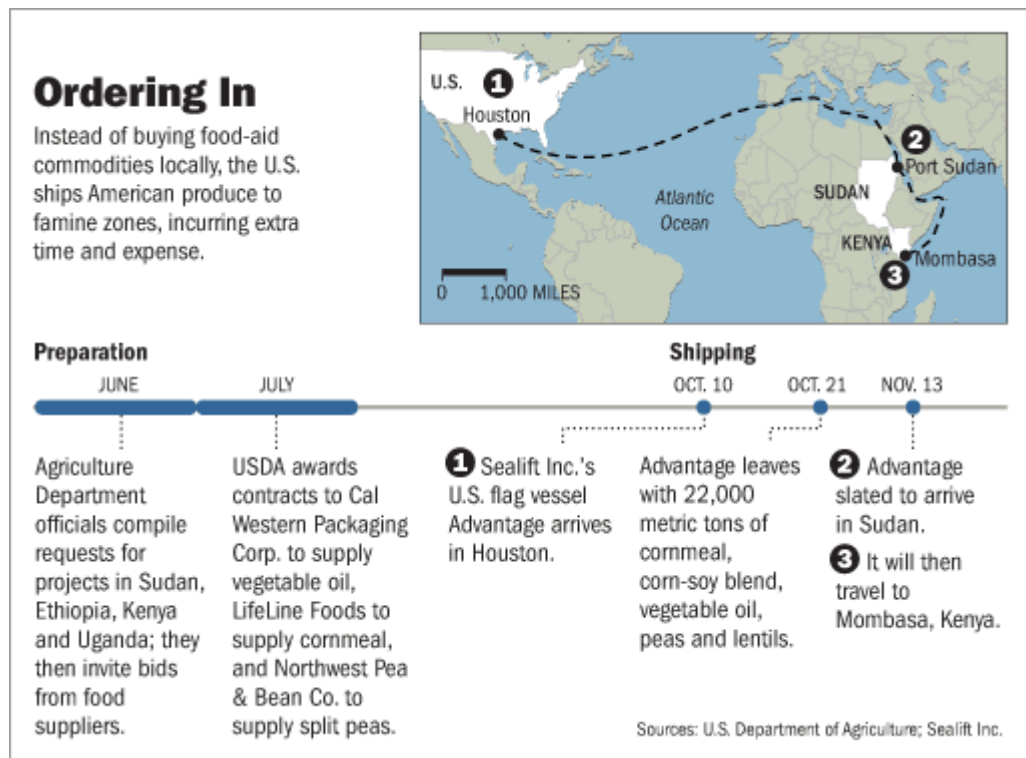
Mr. Natsios says he had planned to approach legislators with this line: "The humanitarian people need this to save lives and fight famine." Instead, his proposal is mired in Congress. Neither the House nor Senate agriculture committees have included local purchase money in their appropriations bills. The Bush administration hopes to insert the concept into the budget when the chambers reconcile their bills.

Complicated Relationship

President Bush has a complicated relationship with America's farmers. He signed the 2002 farm bill, which sweetened federal farming handouts, but now he's trying to rein in those programs to shrink the budget deficit and smooth negotiations at the World Trade Organization. Developing countries heavily dependent on agriculture complain that U.S. farm subsidies spur overproduction that depresses world prices.

Even before the USAID proposal circulated earlier this year, Washington was under pressure to revamp the food-aid program. European Union nations say the U.S. uses it to dump surpluses and to get recipients hooked on the taste of U.S.-grown food. Mr. Natsios dismisses both

accusations. The Europeans send cash instead of commodities.



But farm programs, including the food-aid budget, are under the control of Congress's agriculture committees. Their main goal is promoting U.S. farming interests.

Mr. Natsios's plan "would deprive the U.S. agricultural community of their sense of pride and compassion," testified John Lestingi, vice president of Rice Co., a Roseville, Calif., exporter, during a House hearing in June.

"It is our right to provide aid in the form of food instead of cash," insisted Jim Madich, vice president of Horizon Milling. Horizon is a joint venture of Minneapolis commodity-processing giant Cargill Inc. and CHS Inc., St. Paul, Minn., a big agricultural cooperative. Cargill and its venture have sold \$1.09 billion of grain to the U.S. government for use in foreign food-aid programs since 1995, according to figures released by the U.S. Department of Agriculture in response to a request filed by The Wall Street Journal under the Freedom of Information Act.

Cargill disputes that figure but wouldn't provide its own tally.

Bob Goodlatte, chairman of the House Agriculture Committee, warns that buying food aid overseas would erode congressional support for famine-fighting programs. "It must come from American farmers," says the Virginia Republican, so "it will circulate through the American economy."

Out in that economy, opposition to the plan is solid. "If you start spending the food-aid money overseas, you start losing jobs here," says Dwayne Jordan, who fills bags with U.S.-grown grain at the Port of Lake Charles, La., which handles upward of 400,000 tons of food aid each year.

After his appearance in Kansas City, Mr. Natsios summoned leaders of the aid agencies to his Washington office for a two-hour meeting. Other conversations followed, some of which deteriorated into shouting matches, according to participants.

A coalition of humanitarian groups tried to cobble together a compromise that they presented to USAID and Congress: a pilot program for local purchasing that would set aside 5% of the food-aid budget, instead of USAID's proposed 25%. That was too little for Mr. Natsios and too much for agricultural business interests.

As the spat intensified, some charity officials began to question whether the Natsios plan was actually intended to lessen criticism of U.S. farm subsidies and food aid at the WTO. Others believe it's a backdoor attempt to cut the food-aid budget; cash earmarked for spending abroad is easier to slash than cash to buy U.S. commodities.

"The perception was, is this a camel's nose under the tent that could destroy Food for Peace?" says World Vision's Mr. Zachritz.

Mr. Natsios says these suspicions are unfounded. "Humanitarian aid does a significant job," he says, "but they get used to doing it one way."

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