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BEFORE THE

SENATE FOREIGN RELATIONS COMMITTEE  
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*U.S. Response to the Global Food Crisis: New Approaches*

Thank you Chairman Biden, Ranking Member Lugar and distinguished members of the Committee. I appreciate the opportunity to be here today to address this important issue.

We are in the midst of a global food crisis unlike other food crises we have faced; one not caused by natural disasters, conflict or any single event such as drought. It is not localized—instead it is pervasive and widespread, affecting the poor in developing countries around the world.

I just returned last night from Burma, where Admiral Keating, Commander of the U.S. Pacific Command and I accompanied the initial C-130 relief flight, which brought basic humanitarian supplies such as mosquito nets, blankets, and bottled water to the Burmese people. The catastrophic cyclone in Burma, hitting that country's major rice producing region in the middle of the rice harvest, is a reminder of the fragile situation we face in many developing countries. As I stood watching our aid "From the American People" move one step closer to reaching those in desperate need, I realized once again the impact our efforts can have around the world.

From January to December, 2007, the international food price index rose by 43% from March 2007 to March 2008, compared with just 9% in 2006. While sharply higher prices have been welcome news for some farmers, they mean hardship for many, and for the poorest subsisting on \$1/day or less, food price increases mean deprivation and real hunger.

For the poorest one billion, living on just a dollar per day, very high food prices can mean stark choices between taking a sick child to the clinic,

paying school fees, or putting food on the table. These are the people who already were spending half or more of their meager incomes on food. Their options are few—eating cheaper, less nutritious foods, skipping meals, or simply going without. Africa and Asia are suffering most, but even in our own hemisphere, Haiti is gravely affected. Children are especially vulnerable; the World Health Organization maintains that more than half of all early childhood deaths are linked to underlying malnutrition. While malnutrition is often due to disease and causes other than inadequate calories, insufficient food is an important factor.

The rapidly increasing cost of food is also weakening the ability of governments of both poor and middle-income countries to sustain growth, protect the vulnerable, or even to maintain order. The fear of food riots, even in some middle-income countries, presents a new dynamic that puts pressure on sound decision-making for long term growth and stability. The same high prices also limit our own ability to respond to critical emergency needs around the world through our food aid programs.

Experts tell us the situation underlying the crisis is not a temporary one; demand for grain is outstripping supply. A decades-long decline in real food prices due to new technology and more efficient markets and trade has been rapidly reversed, with far-reaching consequences. Current global stocks of grain make prices even more sensitive to shocks, whether from a drought in Australia or floods in our Midwest.

What has led to these sudden changes in food prices? Rapid world-wide economic growth, the associated dietary shifts to grain-intensive livestock products, and the expanded use of biofuels as a less significant factor, are all demand side factors that have boosted prices. On the supply side, droughts, a lack of investment in technology and markets, and competition for land and water have slowed production growth in some countries. Restrictive trade policy responses by major exporting countries have led to further price increases. Higher energy costs have raised the cost of production for farmers and have increased the costs of getting goods to the market. Thus, a range of fast onset and slower-building factors have combined to fundamentally alter the food supply and demand balance, with the resulting high prices expected to persist for at least the next few years.

Our response is three-pronged, integrating immediate, near-term and longer-term components, all of which are needed to address the underlying causes

of chronic hunger. We plan to increase our efforts in three key areas: 1) expand humanitarian assistance, looking at the most critical needs globally; 2) attack the underlying causes of food insecurity through a significant increase in staple food production; and 3) address policy barriers and trade policies adversely impacting food prices.

Humanitarian food assistance is critical to stabilizing the worst aspects of the crisis, but it alone will not provide a durable solution. Our approach spans protection for the vulnerable, growth in agricultural production consistent with market principles, access to markets and advancement of global policy solutions that foster trade and investment in agriculture.

Thus, we will save lives both through short-term immediate food assistance and long-term help to increase agricultural production, so that food, whether domestically produced or traded, is both more available and more affordable. We will respond to urgent needs, but also will help small farmers increase production of key food staples in targeted countries and regions.

We seek to take full advantage of new approaches toward meeting humanitarian needs and expanding development investment as we respond to this new kind of food crisis. Our response must be swift, innovative, and well-targeted, and directly address the structural threat of hunger.

There are millions of newly hungry people in rural and urban settings as a result of rising prices. Our immediate aid efforts will focus on humanitarian goals of protecting lives and livelihoods, especially for those in urban environments and for the rural landless. Additionally, these efforts will support political and economic stability necessary to transition to non-emergency social protection interventions and longer-term efforts to increase food production.

Because the underlying condition of this situation is impacted primarily by the increase in price, rather than the global supply of food, newly-affected hungry people, especially those in urban areas, can be assisted through carefully targeted assistance. For example, targeted voucher programs can help the poorest obtain basic food staples without undermining commercial incentives for local food production and marketing.

The scope of the current problem underscores the need to make our food aid programs as effective and as efficient as possible. This is one of the reasons why the Administration continues to seek the ability through legislation to use up to 25 percent of P.L. 480 Title II funds for the local purchase of food aid commodities. Under the current system, U.S. procured commodities can take up to six months to reach the beneficiaries. In addition, less than half of every dollar spent actually goes to purchasing food in the United States. Local purchase authority will increase the timeliness and effectiveness of the U.S. response to overseas food aid, especially in urgent situations requiring a strategic response, and also helps create markets for local farmers.

Of the \$770 million requested by President Bush on May 2, \$395 million will enable USAID's Office of Food for Peace to meet its ongoing emergency needs by maintaining purchasing power and addressing new food needs in both rural and urban areas. An additional \$225 million of International Disaster Assistance will provide support for programs such as critical nutritional interventions, increased access to farm inputs, improved ability to identify, monitor and respond to vulnerability, and local procurement and redistribution of commodities to meet urgent needs for vulnerable populations while stimulating production in surplus areas.

Our immediate efforts will help provide stability in the short term. This will provide the foundation to achieve medium and longer range goals that will help increase supply. The starting point is the recognition that growth in agriculture has for some time not been keeping pace with demand. In developing countries between the 1960s and 1980s, yields of the main cereal crops increased by 3-6% a year. Now annual growth is down to 1-2% below the increase in demand. Years of high growth and low prices resulted in reduced attention to, and investment in, agriculture, rural infrastructure and markets. The President's emergency request will allow us to begin to reverse this by increasing our own investment by \$150 million in FY 2009 in agriculture development assistance funding while working to leverage additional resources from the private sector.

We are seeking to increase our investment in agricultural research, harnessing science and technology and its application to boost productivity growth and environmental sustainability. We will continue to urge countries to end restrictions to acceptance of biotechnology-based crops, in either commercial trade or food aid. As we have seen during past food crises,

distribution of food aid can be significantly complicated by barriers to biotechnology crops.

As Nobel Peace Prize laureate agronomist Norman Borlaug and others have argued, we must end the debate over the benefits of biotechnology-based crops. The United States is uniquely positioned both scientifically and politically to apply agricultural biotechnology as a tool in building global food security. As we have seen with corn and cotton already, biotech crops that are resistant to pest and disease can boost productivity in developing countries.

We are developing and preparing to deploy new strains of wheat that are resistant to the emerging stem rust epidemic that Dr. Borlaug warns is making its way toward the breadbasket of South Asia. As part of our strategy for the medium term, we will continue investment in development of biotech food staples for use in Asia and Africa, where we have developed varieties of cassava, cowpea, potato and other crops that lower costs and boost production. We also are making a major investment in development of drought tolerant rice and wheat for South Asia, to increase food security and provide a bulwark against the effects of climate change.

I urge the members of this committee to take a leadership role in helping overcome any global barriers to using modern science in an effort to help solve the problem of chronic world hunger.

We are reaching out to our G-8 partners, applauding their efforts and encouraging still more. This June I will help lead the U.N. Food and Agriculture Organization (FAO) High Level Conference of World Food Security at which global leaders will gather to coordinate efforts to meet this challenge. Partnership with the private sector and non-governmental organizations features prominently in these efforts.

We will continue to invest in markets and work with countries and regional institutions to foster trade and rapid movement of food from areas with excess supply to those where shortages are occurring. We will step up efforts to promote more efficient flow of goods and services through value chains and regional trade corridors, especially in Africa where markets are still poorly developed. USAID support for commercial input markets for seeds and fertilizers, and output markets for commodities, will help to

increase overall productivity, drive down costs, and make food more accessible.

Productivity interventions in agriculture are some of the most effective drivers of poverty reduction and food security. Maximizing the management of scarce water resources, drought resistance seeds and affordable fertilizers will help address the root problems of the world's poorest people, 70 percent of whom live as small farmers.

Sound policy approaches are critical to sustaining long-term growth and affordable food supply. Taking a whole of government approach, we will work closely with other donors, partner countries, the World Bank, IMF, foundations and other organizations to encourage wise policies that favor agricultural trade, avoiding export restrictions and other market interventions that exacerbate the supply-demand imbalance. We are advancing agreements on trade in the Doha round, promoting best practices and sound analysis on production of biofuels, and promoting national and regional commitments to invest in agriculture.

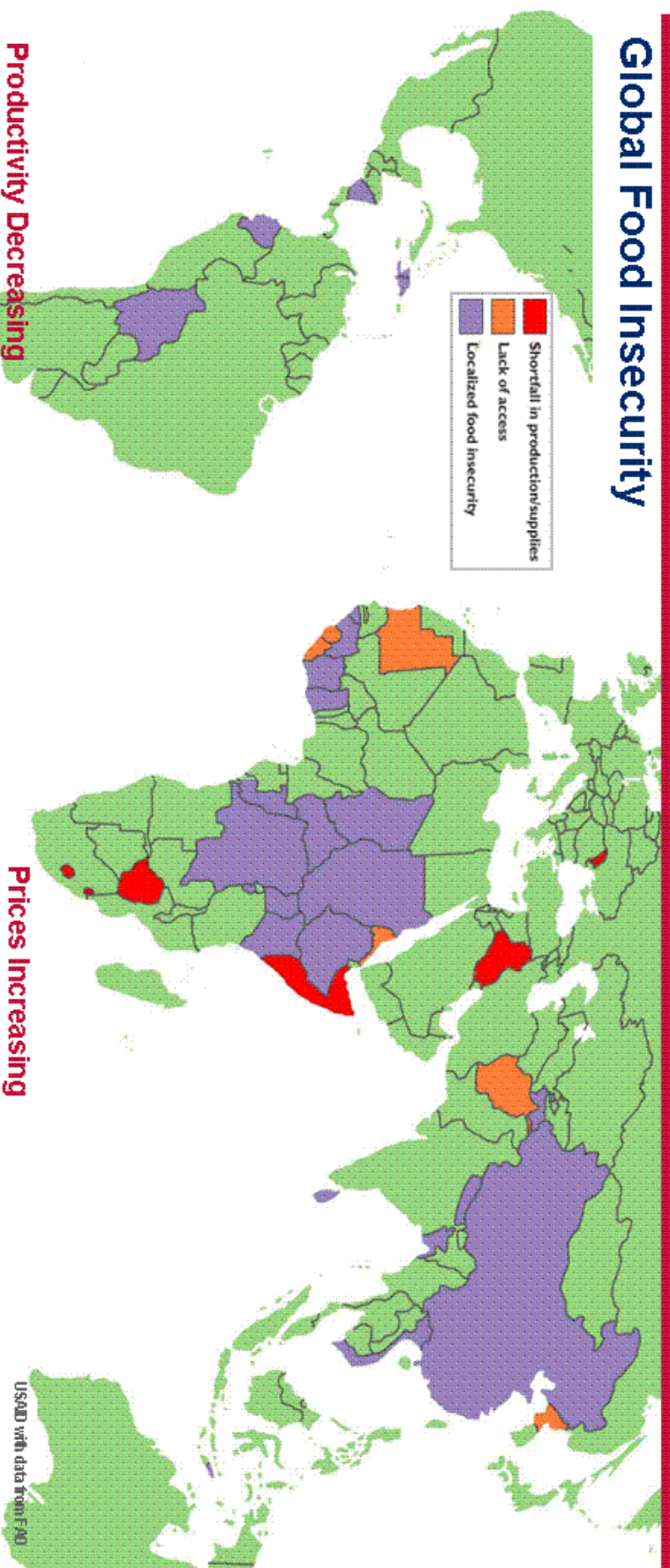
I am confident we – the U.S. and other donors - can stem and reverse the supply-demand imbalance that exists in food staples. We know how to do it—we know what works and what does not; we know that we must rely much more on the private sector and on broad alliances than was the case in the first Green Revolution. We have new tools, and we need to use them: markets, trade and science will transform our approach.

Political leadership can help solve this crisis. Within the last two weeks alone we have seen major commitments from world leaders pledging to leave no stone unturned in the global effort to confront this issue head-on.

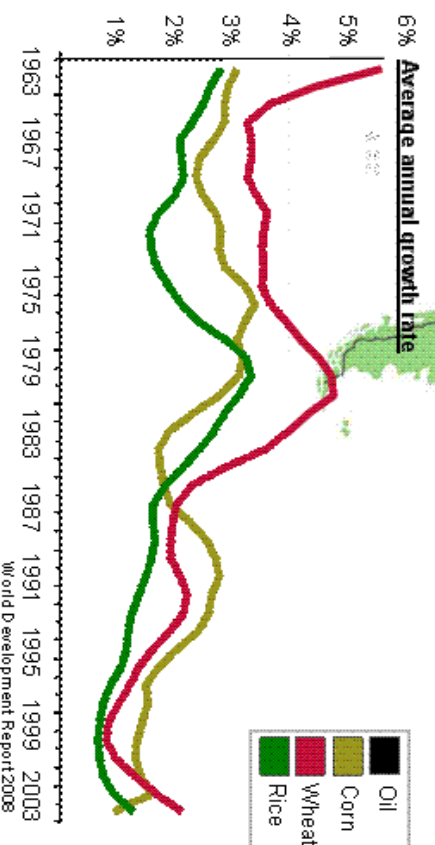
Failure is not an option. Though I have concentrated on the causes of the problem and its solution, we must never lose sight of the terrible human cost of hunger. Even short term hunger can unalterably affect a child by exposing him or her to disease, threatening normal cognitive development and lifelong productivity, or, tragically, even early death. Yet the problem posed by high food prices is one we can address—and in doing so we can recommit to ending the scourge of chronic hunger once and for all and ensure that the world is more food secure. Thank you.

Mr. Chairman, this concludes my statement. I welcome any questions that you and the members of the Committee may have.

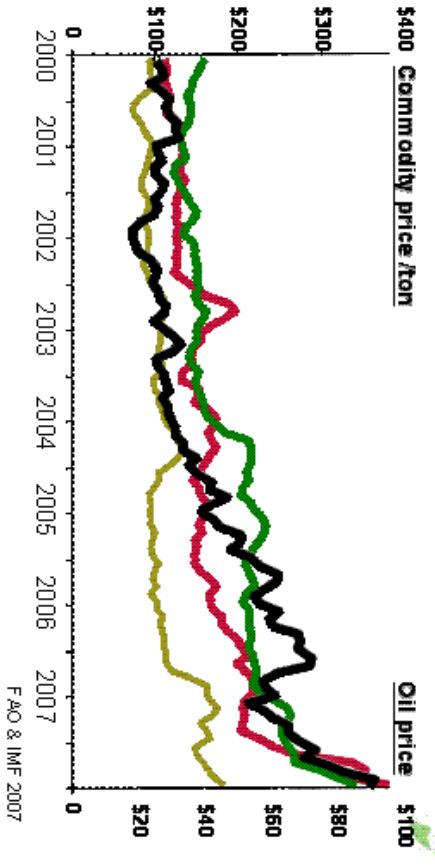
# Global Food Insecurity



## Productivity Decreasing



## Prices Increasing



USAID with data from FAO

World Development Report 2008

FAO & IMF 2007