EVALUATING, AND IMPROVING, AMERICA'S RESPONSE TO GLOBAL HUNGER

Statement of Robert Paarlberg[1]
To United States Senate Committee on Foreign Relations
Hearing on "Alleviating Global Hunger: Challenges and Opportunities for U.S. Leadership"

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Providing international leadership to alleviate global hunger requires our Government to have strong policies in two separate areas:

- Responding to short-term food emergencies, such as the international food price spike we saw in 2008, which temporarily put up to 100 million more people at risk.

- Attacking the persistent poverty that keeps more than 850 million people hungry even when international food prices are low.

In the first of these areas, the United States Government has done a good job, at least a B+. But in the second area the U.S. has done a poor job over the past 25 years, something close to an F. In 2009 America has a chance to correct this second failing grade by directing more development assistance support to help small farmers in Sub-Saharan Africa and South Asia. Until the productivity of these small farmers goes up, poverty and hunger will not go down.

America's Laudable Response to the 2008 World Food Crisis

When the price of food on the world market suddenly surged upward during the first six month of 2008, it was clear that some developing countries heavily dependent on imported food needed help. In April 2008 the World Bank produced an estimate that an additional 100 million people in the developing world were being pushed into effective poverty because of the much higher food import prices.[2] The New York Times called these high prices a "World Food Crisis." The Economist called it a "Silent Tsunami."

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[2] Maros Ivanic and Will Martin, "Implications of Higher Global Food Prices on Poverty in Low-Income Countries," Policy Research Working Paper 4594, World Bank, April 2008. In my view this estimate was too high. The Bank's calculation was based on what it called a "guesstimate" that 66 percent of all price changes on the world market would be transmitted into the domestic markets of developing countries. The events of 2008 suggest there was far less price transmission than

This was a serious crisis for poor countries heavily dependent on food imports, particularly in West Africa and the Caribbean, but not all developing countries fell into that category. Many governments in the developing world have long made it a point not to depend on imports of basic grains (in the name of national food "self-sufficiency"). For example in South Asia only about 6 percent of total grain consumption is imported, and in India specifically only 1 percent of rice consumption is imported. So when the price of rice for export tripled in 2008 it was a shock in Cameroon and Haiti, but it had little effect on most poor people in India.

International food prices spiked as high as they did precisely because so many developing country governments decided not to let higher international prices cross into their own domestic economy. When export prices starting increasing in 2007, one country after another insulated its domestic market from the increase by placing new restrictions on food exports. China imposed export taxes on grains and grain products. Argentina raised export taxes on wheat, corn and soybeans. Russia raised export taxes on wheat. Malaysia and Indonesia imposed export taxes on palm oil. Egypt, Cambodia, Vietnam, and Indonesia eventually banned exports of rice. India, the world's third largest rice exporter, banned exports of rice other than basmati. When so many export restrictions were suddenly set in place, the quantity of food available for export dropped sharply, triggering the large price spike seen in international markets.

The response of the United States Government to this price spike was timely and commendable. America provided essential global leadership, in two important ways.

First, the United States never placed any restrictions on its own exports of agricultural commodities. While others were imposing export taxes or export bans, the United States continued to leave its domestic food supply open to foreign customers. This was not an easy discipline to maintain. America's decision to place no restriction on its own rice exports meant prices inside the U.S. economy spiked upward along with the international price, which led to an interlude of panic buying. In April 2008, Costco Wholesale Corporation and Wal-Mart's Sam's Club had to limit sales of rice to 4 bags per customer per visit. For wheat, the U.S. decision not to restrict exports implied much higher operating costs for America's baking industry, prompting the American Bakers Association early in 2008 to send delegations to Washington to voice loud complaint. Despite these domestic pressures, our Government never restricted export sales.[3]

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this. Much of the sharp rise in international prices resulted from an intentional blockage of price transmissions into domestic markets. It was an artificial stabilization of so many domestic market prices that worsened the destabilization of international markets.

[3] During a much earlier food price spike in 1973, the United States was not as disciplined. Japan and other importers were shocked when the United States placed a brief embargo on soybean exports in 1973.

Second, when international prices spiked in 2008 the United States dramatically increased its budget for international food aid. In April 2008, President Bush announced the release of $200 million worth of commodities from an emergency food aid reserve for Title II PL480, and then in May 2008 the President requested from Congress an additional $770 million as a crisis response, with roughly 80 percent of this intended to help poor importing governments or support short term feeding of vulnerable populations. According to one unofficial calculation, the United States responded to the 2008 crisis by designating an additional $1.4 billion in food aid above already planned funding levels. Total enacted and estimated international food assistance spending from the United States in FY2009 will be roughly $2 billion.

Our policy response to the 2008 food price spike was far from perfect, in part because our food aid programs are unnecessarily expensive. This is because the United States does not allow any significant sourcing of food from outside of the United States and because shipment on more costly U.S.-flag vessels is required for 75 percent of all gross food aid tonnage. As a result an excessive 65 percent of America's food aid spending goes to administrative and transport costs. Some economists calculate that it costs roughly twice as much to deliver a ton of food to a recipient through this U.S. food aid system as it would cost buying the food from a local market.[4] The United States is heavily criticized abroad for operating its food aid programs this way. On the other hand, if America went to a more efficient system based on foreign sourcing, political support for the program here in Congress would suffer, the size of our food aid budget would fall, and food deliveries to some needy recipients abroad might then fall as well.

America was also heavily criticized in 2008 for the alleged impact of its biofuels policies on world food prices. Federal tax credits, import tariffs, and renewable fuel mandates promoted the diversion of American corn into fuel production, driving up international prices for corn used as food or feed. In 2007-08, ethanol production increased to roughly 23 percent of America's total corn use. On the other hand, much of this diversion would have taken place in 2008 even without any U.S. Government tax credits, tariffs, or mandates, simply due to the unusually high oil prices that prevailed at the time. When bad things happen it is not always the government's fault. It was mostly high oil prices, not government policy, that drove up corn use for ethanol in 2008.

America's Less Helpful Response to Persistent Hunger

America has shown far less leadership in its policy response to the long-term problem of chronic malnutrition in developing countries. This hunger problem, linked especially to rural poverty, is roughly eight times larger than the temporary problem linked to the 2007-08 price spike.

[4] Christopher B. Barrett and Daniel G. Maxwell, Food Aid After Fifty Years, New York: Routeledge, 2005, p. 167.

Even before international food prices began to increase in 2007, the United Nations Food and Agriculture Organization (FAO) estimated that there were 850 million chronically malnourished people in the world. Even when food was cheap on the world market in 2005, in Sub-Saharan Africa 23 out of 37 countries in that region were consuming less than their nutritional requirements and nearly one third of all citizens there were malnourished. The problem of hunger in these countries derives primarily from persistent poverty, not from price fluctuations on the world market. In Africa more than 60 percent of all citizens work in the countryside growing crops and herding animals, and it is because the productivity of their labor is so low (incomes average only about $1 a day) that so many are chronically malnourished.

To understand the source of these low incomes, pay a visit to a typical farming community in rural Africa. The farmers you will meet, mostly women, do not have any of the things that farmers everywhere else have required to become more productive and escape poverty:

- Few have had access to formal education. Two out of three adults are not able to read or write in any language.

- Two thirds do not have access to seeds improved by scientific plant breeding.

- Most use no nitrogen fertilizer at all, so they fail to replace soil nutrients and their crop yields per hectare are only one fifth to one tenth as high as in the United States or in Europe.

- Only 4 percent have irrigation, so when the rains fail their crops also fail, and they must sell off their animals and household possessions to survive until the next season.

- Almost none have access to electricity, and powered machinery is completely absent. These farmers still work the fields with hand hoes or wooden plows pulled by animals.

- Few have access to veterinary medicine, so their animals are sick, stunted, and weak.

- Most of these farmers are significantly cut off from markets due to remoteness and high transport costs. Roughly 70 percent of African farmers live more than a half-hour walk from the nearest all-weather road, so most household transport is still by foot.

Given such deficits, it is not surprising that agricultural production in Africa has lagged behind population growth for most of the past three decades. Per capita

production of maize, Africa's most important food staple, has actually *declined* 14 percent since 1980. Over the same time period population has doubled, so the numbers of people living in deep poverty (less than $1 a day) has doubled as well, up to 300 million. The number of Africans classified as "food insecure" by the U.S. Department of Agriculture increased to 450 million in 2006, and under a business-as-usual scenario this number will grow by another 30 percent over the next ten years, to reach 645 million.[5]

One reason the current business-as-usual scenario is so bleak has been weak leadership from the United States. Instead of taking action to help address these persistent farm productivity deficits in Africa over the past several decades, the United States Government essentially walked away from the problem:

- America's official development assistance to agriculture in Africa, in real 2008 dollars, declined from more than $400 million annually in the 1980s to just $60 million by 2006, a drop of approximately 85 percent.

- Between 1985 and 2008 the number of Africans supported by USAID for post-graduate agricultural study at American universities declined 83 percent, down to a total of just 42 individuals today.

- From the mid-1980s to 2004, USAID funding to support national agricultural research systems (NARS) in the developing countries as a whole fell by 75 percent, and in Sub-Saharan Africa by 77 percent.

- From the mid-1980s to 2008, United States contributions to the core research budget of the Consultative Group on International Agricultural Research (CGIAR), in real 2008 dollars, fell from more than $90 million annually to just $18.5 million.

- USAID spending for collaborative agricultural research through American universities was nearly $45 million in constant 2008 dollars twenty five years ago. As of 2007, this funding was down to just $25 million.

- These cuts were accompanied by severe agricultural de-staffing at USAID. As late as 1990 USAID still employed 181 agricultural specialists. Currently it employs only 22.

So, while Africa's rural poverty and hunger crisis was steadily growing worse, the United States Government was steadily doing less.

Why Did the United States Stop Investing in Agricultural Development?

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[5] United States Department of Agriculture, Economic Research Service, "Food Security Assessment 2007", p. 10. http://www.ers.usda.gov/Publications/GFA19/

Beginning in the 1980s, three factors combined to push the United States away from providing adequate assistance for agricultural development:

First, the enormous success of the original Green Revolution on the irrigated lands of Asia in the 1960s and 1970s left a false impression that all of the world's food production problems had been solved. In fact, on the non-irrigated farmlands of Africa, these problems were just beginning to intensify.

Second, it became fashionable among most donors beginning in the 1980s to rely less on the public sector and more on the private sector, under a so-called "Washington Consensus" doctrine developed inside the IMF and the World Bank. According to this new aid doctrine, the job of the state was mostly to stabilize the macro economy and then get out of the way, so private investors and private markets could create wealth. This approach backfired in rural Africa because the basic public goods needed to support markets and attract private investors – roads, power, and an educated workforce – had not yet been provided.

Third, a new fashion also arose in the 1980s among advocates for social justice and environmental protection. These groups began to depict the improved seeds and fertilizers of the original Green Revolution as a problem, not a solution. They argued that only large farmers would profit and that increased chemical use would harm the environment. This perspective was not appropriate in Africa, where nearly all farmers are smallholders with adequate access to land and where fertilizer use is too low rather than too high. In Africa the social and environmental danger isn't too much Green Revolution farming, but far too little.

I have documented the importance of these NGO objections to Green Revolution farming in a book published last year by Harvard University Press.[6] I show in this book that an influential coalition of social justice and environmental advocates from both North America and Europe was able to discourage international support for agricultural development, including in Africa, beginning in the 1980s. They not only opposed the use of modern biotechnology, such as genetic engineering; they also campaigned against conventionally developed modern seeds and nitrogen fertilizers, even though these were precisely the technologies their own farmers had earlier used back home to become more productive and escape poverty. To Africans they instead promoted agroecological or organic farming methods, not using synthetic pesticides or fertilizers.

The irony is that most farmers in Africa today are already de facto organic, because they do not use any GMOs, or any nitrogen fertilizers, or any synthetic pesticides. This has not made them either productive or prosperous. Nor has it provided any protection to Africa's rural environment, where deforestation, soil erosion, and habitat loss caused by the relentless expansion of low-yield farming is a growing crisis.

[6] Robert Paarlberg, Starved for Science: How Biotechnology is Being Kept Out of Africa. Cambridge: Harvard University Press, 2008.

How to Correct America's Failing Grade in Agricultural Development

Improving America's dismal policy performance in the area of agricultural development does not have to be difficult. We know what to do, we know it can be done at an affordable cost, and the current political climate even provides new space to act.

A consensus now exists among specialists, even at the World Bank, on what to do. An extensive review conducted by the Bank in preparation for its 2008 *World Development Report* concluded that more public sector action was urgently needed: "the visible hand of the state" was now needed to provide the "core public goods" essential to farm productivity growth. Three kinds of public goods are needed today in the African countryside:

- Public investments in rural and agricultural education, including for women and girls.
- Public investments in agricultural science and local agricultural research to improve crops, animals, and farming techniques.
- Public investments in rural infrastructure (roads, electricity, crop storage) to connect farmers to markets.

Governments in Africa today endorse this consensus. At an African Union summit meeting in Mozambique in 2003, Africa's heads of government pledged to increase their own public spending on agriculture up to at least 10 percent of total national spending. International donors, including the United States, should seize upon this constructive pledge, redirecting assistance efforts so as to partner aggressively with African governments willing to re-invest in the productivity of small farms.

We know exactly what this re-directed assistance effort should look like, thanks to the policy roadmap recently provided by two members of this committee plus the supportive recommendations of a prominent independent study group.

The widely endorsed Global Food Security Act of 2009 (S. 3529), known as the Lugar-Casey bill, would authorize significantly larger investments in agricultural education, extension, and research, to take full international advantage of the superior agricultural resources found within of America's own land grant colleges and universities. The increased investments in institutional strengthening and collaborative research authorized in this bill could be funded at $750 million in year one, increasing to an annual cost of $2.5 billion by year five. Fully funding this initiative would require roughly a 10 percent increase in America's annual development assistance budget, a small increase alongside President Obama's own 2008 campaign pledge – which I strongly endorse – to grow that development assistance budget by 100 percent.

A second worthy blueprint strongly parallels the Lugar-Casey bill. This is a menu of 21 separate recommended actions called the Chicago Initiative on Global Agricultural Development, released just one month ago by an independent bi-partisan study group convened by the Chicago Council on Global Affairs, with financial support from the Bill and Melinda Gates Foundation.[7] This substantial report, which I played a role in preparing, recommends twin thrusts in agricultural education and agricultural research, just like Lugar-Casey. It also recommends closer coordination with the World Bank to increase investments in rural infrastructure, plus a substantial upgrade of agricultural staff at USAID. The Chicago Council report estimates that implementing all 21 of its recommended actions would cost $341 million in the first year (an increase over current programs of $255 million), and only $1.03 billion annually by year five (an increase of $950 million over current expenditures). This implies less than a 5 percent increase in our current development assistance budget.

Why is 2009 the Best Time to Take These Actions?

The danger is not that Congress will debate these proposals and then reject them as too costly. Both of these proposals are well researched and substantively well defended, and the implied costs are not at all large alongside the anticipated humanitarian, economic, and diplomatic gains. The danger instead is that a serious debate over these proposals will never take place, amid the many distractions of the day, and a decision will simply be deferred. This would be a costly mistake. If new action is deferred, the business-as-usual scenario will kick in and numbers of food insecure people in Sub-Saharan Africa will increase by another 30 percent over the next ten years, to reach a total of 645 million. If the new Administration and Congress decide to put off action until 2013 or 2017, the hunger problem will only become more costly to resolve.

Fortunately, two important windows of political opportunity are open in 2009 to support the embrace of a significant policy initiative in this area. First, both the new Administration and Congress are eager to be seen delivering a "real change" in America's policies abroad, not just at home. A decision in 2009 to reverse, at last, the 25-year decline in U.S. support for agricultural development assistance would be a real change, and it would be recognized as such around the world. It would transform America overnight from being the laggard in this area into being the global leader. With its new agricultural development initiative on the table, America could re-introduce itself to governments around the world – especially in Africa – with a convincing message of hope, not fear. The payoff in farmers' fields would not be seen immediately, but the political and diplomatic gain would be immediate.

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[7] The full report and also an executive summary are available at http://www.thechicagocouncil.org/globalagdevelopment/finalreport.asp

For those on this committee looking for an affordable way to recast America's approach toward governments in Africa (e.g., in response to China's growing investment presence and political influence in that region), a new agricultural development initiative is actually one of the most cost-effective ways to proceed. The annual budget cost is low because the best way to support agricultural development is not with a massive front-loaded crash program, but instead with small but steady annual outlays developed and managed in close partnership with recipient governments, maintained for a decade or more.

The second window of opportunity was provided by the 2008 food price crisis itself. Memories of this crisis are still sufficiently fresh in 2009 to motivate action on a significant new agricultural development assistance initiative, to complement the strong leadership we already show in emergency relief and food aid.

Both these windows of political opportunity are currently open. They are not likely to remain open for long.