

**TESTIMONY OF
U.S. REPRESENTATIVE JAMES P. McGOVERN
THIRD CONGRESSIONAL DISTRICT OF MASSACHUSETTS**

HEARING ON
“HALF A LOAF – THE IMPACT OF EXCLUDING SURPLUS COMMODITIES FROM AMERICA’S
RESPONSE TO GLOBAL HUNGER”
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BEFORE THE
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, RESTRUCTURING AND THE
DISTRICT OF COLUMBIA
COMMITTEE ON GOVERNMENTAL AFFAIRS
U.S. SENATE

Mr. Chairman, I want to thank you and the members of the Subcommittee for inviting me to testify this afternoon on the important role our surplus commodities and food aid play in reducing global hunger – and how proposed changes to the use of surplus commodities could undermine and handicap U.S. leadership in the international effort to reduce hunger by half by the year 2015.

It is an honor, Mr. Chairman, to be here – not only because I am testifying alongside a living legend in the fight against global hunger, my good friend Senator George McGovern – but also because the members of this Subcommittee and you, Mr. Chairman, have long championed the role our American farmers can play in reducing hunger world-wide.

Mr. Chairman, I have attended many Committee hearings, so I would like to get simply to the point: I strongly believe that this is a moment when the United States should be expanding, not constricting, food and development aid abroad. I believe doing so promotes and protects our national interests abroad, including our national security, and is a tangible demonstration of America’s values, character and priorities.

Last October 16th, on World Food Day, United Nations Secretary General Kofi Annan described the urgency to reduce world hunger quite clearly when he said: “Hunger is not only a consequence of poverty in its most extreme manifestation; it also serves to perpetuate and deepen poverty itself. Hungry people’s capacity for productivity and growth is stunted. They cannot fulfill their potential as individuals, nor as a society.”

Everyone in this room knows that assuring adequate food and basic health care is necessary for any nation to make long-term progress on economic growth and development. Even education, another fundamental pillar of economic development, is seriously compromised when children are sick and hungry. The United Nations and other organizations project that about 18 million metric tons of food aid will need to be imported by the poorest countries just to meet basic needs. This is a significant increase over what is currently being made available by the U.S. and other donor nations. Where will that food come from, Mr. Chairman, if the United States moves to eliminate surplus commodity donations abroad?

The food aid and surplus commodity-assisted development programs administered by the U.S. Department of Agriculture (USDA) and the U.S. Agency for International Development should be praised for what they have accomplished. These agencies have created model partnerships with international agencies and U.S. non-governmental organizations, private voluntary organizations, and cooperatives to implement a broad range of development programs in developing countries. In turn, these groups work with local NGOs and host governments to create a network of programs that attack hunger and illiteracy, empower girls and women, improve maternal and child health, and strengthen local agricultural production. In addition, many of these programs help strengthen and develop local enterprise and commercial sectors, creating new employment opportunities and increasing family incomes. These programs provide developing countries – especially the low-income food-deficit nations – the critical support systems they need so that over time local communities and nations can invest and sustain their own development and economic growth. In addition, the programs carried out by U.S. NGOs ensure that U.S.-funded humanitarian, emergency, food and development aid programs are presented with an American face and reflect the very best of the American character.

Two of my staff recently traveled to Indonesia for a conference on USDA-supported school feeding programs. They had an opportunity to meet directly with the U.S. groups operating these programs in Indonesia using 416(b) surplus commodity allocations. These groups included Land O'Lakes, ACDI/VOCA, Mercy Corps International and International Relief and Development (IRD), all of them work collaboratively and in partnership with Indonesia's Ministry of Education. My staff saw first hand the positive effects of these programs and how desperately children, families, teachers, school administrators and government officials hope they can be expanded even further in Indonesia.

These programs work with the Indonesian government to provide school milk programs – both fortified dairy and soy milk – fortified biscuits, and fortified noodles to hundreds of thousands of the neediest children on the island of Java. The programs are now being expanded to some of the eastern islands of Indonesia. I have provided the Committee with samples of the school milk and biscuit products that are distributed at least three times a week. I ask the members to look at the package and to look at this picture of some of the children receiving this food.

If this were the only outcome of this program, I would think it sufficient. But the U.S.-based NGOs are doing a great deal more to increase the impact of this program and promote its sustainability over time. All of the groups meet and engage the PTAs, teachers and local governments to volunteer and contribute to the program's implementation. Workshops are held on basic health and nutrition. All of the programs promote local capacity-building, jobs and income generation activities, especially in the rural areas.

In the case of Land O'Lakes, the packaging for the school milk program can be recycled. Teachers are trained in how to use the milk cartons to encourage a greater environmental awareness among the students and to provide the materials to local recyclers, who in turn, create jobs turning the packets into a particle board that is manufactured into other items.

The Land O'Lakes program also focuses on local capacity-building by having all of the school feeding products processed locally. A portion of the program budget is designated to support training and technology transfer to dairy and food processors to upgrade their operational capacity. Processors gain access to technologies such as new product development, improved packaging, and quality controls to make them preferred providers of food products for commercial markets as well as for feeding programs.

My staff met with the dairy and food processors involved in these programs. While walking through the dairy processing plant, they stumbled upon bags of non-fat dried milk powder from Wisconsin and whey powder from Oregon. When asked whether this was part of the USDA commodity donation, the owner replied that he now purchases these products directly from the commercial market because he had been introduced to these high quality US products through his association with USDA and the school feeding programs.

In fact, my staff discovered that Section 416(b) programs initiated in Indonesia from fiscal year 1998 through 2000 led to increased commercial sales of U.S. agricultural products of approximately \$ 200 million in calendar year 2001. According to USDA officers in the field in Indonesia, these sales should continue at current levels or possibly expand on an annual basis into the foreseeable future, especially as Indonesia's economy continues to recover.

What were just some of these Section 416(b) programs and their effects?

- A Section 416(b) project for Susu Sekolah (the school milk program) utilizing non-fat dry milk powder (NFDM) led to first time commercial sales of U.S. NFDM and whey powder by the two dairy processors involved in the school milk/school feeding program.
- A Section 416(b) project for a soy beverage being added to the school feeding program led directly to a commercial market for U.S. soy isolates (Dupont).
- A Section 416(b) project aimed at small business development for Javanese noodle manufacturers led directly to a commercial market for U.S. soy flour for the first time.
- An FY99 Section 416(b) monetization program for 40,000 metric tons of soymeal first introduced U.S. soymeal to the Indonesian feed milling industry on a large-scale basis. With follow-up technical assistance from the American Soybean Association, the Section 416(b) program led to a direct cause-and-effect establishment of a

commercial market in succeeding years. U.S. soymeal exports to Indonesia on a calendar year basis went from \$1.7 million in 1999, to \$69 million in 2000, to \$166 million in 2001.

- An FY98 Section 416(b) monetization program for wheat re-introduced U.S. wheat to Indonesian flour millers, following the break-up of the monopoly import by Bulog (Indonesia's state trading enterprise for bulk food commodities) through a non-transparent arrangements with the Australian and Canadian Wheat Boards. In combination with a Private Sector PL 480 program to two Indonesian flour millers and a GSM-102 credit guarantee program, U.S. wheat was once again able to enter the Indonesian market. U.S. wheat exports to Indonesia on a calendar year basis have grown from \$8.9 million in 1997 to \$72 million in 2001.

The positive impacts and partnerships of the Indonesian school feeding programs, including the development of viable related commercial sectors, are now being replicated by Land O'Lakes in Bangladesh, Vietnam and soon Pakistan and Afghanistan with the support of Section 416(b) donations and GFEI pilot programs.

There were representatives from many countries at the school feeding conference held in Jakarta and Bandung, Indonesia. All of them expressed both the desire and the need to initiate new programs and expand existing ones in their own countries. I am including as an attachment to my testimony a brief summary of the school feeding conference prepared by Land O'Lakes and ask that it be part of the formal record of this hearing.

Everyone in this room also knows that development is a long-term prospect. Achieving a significant reduction in world hunger, let alone its elimination, requires a long-term commitment on the part of the United States. It requires confidence among our partners in the international donor community and among the recipients of food and development aid that the U.S. is a reliable and predictable supplier.

For a country to continue its progress towards greater economic development and growth, adequate food and health must be assured. For the poorest countries of the world, and for those emerging from a national crisis, this means relying upon partnerships with the wealthier, food-surplus-producing nations.

But will the U.S. be viewed as a reliable partner, Mr. Chairman, as it eliminates surplus commodity donations abroad, significantly reduces monetization of commodities for development purposes, fails to fund the newly-established McGovern-Dole International Food for Education Initiative, and shifts away from providing long-term reliable funding of food aid accounts?

How will the more than 500,000 school children in Indonesia – their parents, teachers, government officials – view the United States when we cut back or end our support for school feeding programs because we have eliminated Section 416(b) surplus commodity allocations to the U.S. NGOs implementing these programs? Will Indonesia still see us as a reliable partner in its effort to reduce hunger and malnutrition among its children? Will they still see us as a reliable partner in strengthening the local dairy and agricultural sectors? In developing the local commercial food processing sector?

It takes a great deal of time, work and personal capital to get these programs up and running. We do a great disservice to the organizations carrying out our food aid and development programs abroad and to the host governments who welcomed these programs when we create an uncertain future for programs already in progress.

I am greatly concerned that at a time when the world is looking at the United States to see if we have the commitment to take on the causes of global instability – hunger and poverty – that they will find instead the reduction of our food aid and commodity-assisted development programs.

Mr. Chairman, the President just signed into law a farm bill that all but guarantees continued surplus production within our basic grains. Every farmer I talk with – and I know that is not as many as you do, Mr. Chairman – tells me that they are proud that their ability to produce abundant commodities will be used to reduce hunger, address famine situations, and promote basic development. And quite frankly, they would rather see their crops purchased to help end hunger and poverty, than face the alternatives of being paid not to produce or being paid to destroy the grain in their fields.

Like all the members of the Subcommittee, I was greatly encouraged by the announcement made by President Bush at the Monterrey Summit in Mexico to dedicate an additional \$5 billion over the coming years for bilateral development aid. I want those funds to truly be “in addition to” the programs we are currently carrying out. I would like to see some of those funds used to expand the programs we know already work. I hope that we won't

see those funds having to be used to replace the funding lost by eliminating the surplus-supported food and development aid programs we are currently implementing.

As you know, Mr. Chairman, along with Representatives Jo Ann Emerson (R-MO), Tony Hall (D-OH), John Thune (R-SD) and Marcy Kaptur (D-OH), I am a principle sponsor of H.R. 1700, the George McGovern-Robert Dole International Food for Education and Child Nutrition Act of 2001. That bill, which has 116 bipartisan cosponsors, strengthens and improves upon the Global Food for Education Initiative (GFEI) pilot program, about which Senator McGovern has just testified, and establishes the GFEI as a permanent program. I know, Mr. Chairman, that you are an original cosponsor of the Senate counterpart as is Senator Dayton, along with Senators Harkin, Lugar, Leahy, DeWine and several others.

While the framework to establish the GFEI as a permanent program was successfully included in the newly-reauthorized farm bill, reliable funding is not guaranteed. We need to see sufficient funding to maintain the GFEI pilot projects and to expand the program to reach other children and communities in need.

We need to see Food for Progress programs continued and expanded.

We need to see the commodity-assisted development programs implemented through Section 416(b) surplus commodity allocations continued and expanded.

We need to see the commodity-supported Title II PL 480 programs continued and expanded.

But we will be hard-pressed to achieve this if we eliminate our surplus commodity donations, shut down the 416(b) program, significantly reduce the ability of groups to monetize part of their commodity donations, and fail to fund school feeding and other commodity-supported development programs. We cannot make up this shortfall through agriculture and foreign operations appropriations without significant new resources, or without seriously compromising other development aid priorities, such as maternal and child health and child survival programs, primary and elementary education, clean water, and combating infectious diseases like malaria, tuberculosis and HIV/AIDS.

I know there is a great deal we can and must do to ensure that the administration of these programs and their accountability are strengthened and improved. I understand that the GAO will be testifying this afternoon in detail on this matter. For the record, I would like to say that I welcomed the recommendations made by the GAO on how to strengthen and improve the administration and evaluation of the GFEI pilot programs. The majority of those recommendations were included in the farm bill in the section establishing the GFEI as a permanent program.

I also know, Mr. Chairman, that there has been a great deal of discussion over which commodity-supported food and development programs should be under the jurisdiction of USDA or USAID. Once again, for the record, I have had a very good experience and been very impressed by what USDA has accomplished through the Food for Progress and Section 416(b) programs. In particular, I believe they responded well to the demands of setting up GFEI pilot programs within a very tight time frame and without additional staff resources. I am less familiar with, but have heard nothing but praise for, USAID's administration of Title II PL 480 programs.

I believe it is more important for some kind of uniform, fair and responsive administrative process to be in place in both federal agencies so that groups submitting proposals, receiving commodities and funds, and implementing programs can carry out their work in the most efficient and successful fashion. Important progress was made in this area, as well, in the recently-signed farm bill. I hope that some of the groups testifying later today will provide the Committee with recommendations on this matter.

Mr. Chairman, I would like to end my testimony on a cautionary note. What dangers in the future might we court should we abandon our leadership in the effort to reduce hunger and increase food security for the world's neediest countries and people? Will we see something similar to what happened in Pakistan in the 1990s when the U.S. and other nations ended economic and development aid? When destitute Pakistani families sent their children away to fundamentalist madrassas because they knew that at least their children were fed, clothed and educated?

This is not the time to abandon programs that have done us good service for years. We need every available tool to meet the challenges posed by global hunger and poverty. As you so rightly put it, Mr. Chairman, we cannot do that by providing "half a loaf."