

2014 Farm Bill – Implications to Trade Policy and Food Aid

John VanSickle
Professor of Food & Resource Economics
Director of the International Agricultural Trade and Policy
Center
University of Florida



UNIVERSITY OF
FLORIDA

Institute of Food and Agricultural Sciences

Title III- Trade

- **Facilitate fair trade**
- **Develop and expand commercial trade for U.S. commodities in global markets**
- **Provide international food and nutrition assistance.**

International Food Aid Programs

- Food for Peace Act
- Section 416(b) of the Agricultural Act of 1949
- Food for Progress Act of 1985
- McGovern-Dole International Food for Education and Child Nutrition Program
- Local and Regional Food Aid Procurement Projects(LRPP)
- Bill Emerson Humanitarian Trust (BEHT)/ Food Security Commodity reserve

Food for Peace Act (PL480)

- **Title I, Economic Assistance and Food Security**
Long term low-interest loans to developing countries. Assist development of private entities for purchase of U.S. agricultural commodities.
- **Title II, Emergency and Private Assistance**
Donation of U.S. agricultural commodities to meet emergency and nonemergency food needs.
- **Title III, Food for Development**
Government-to-Government grants to support long-term growth in the least developed countries.
- **Section 501, John Ogonowski and Doug Bereuter Farmer-To-Farmer Program**
Authorizes voluntary technical assistance to raise farm production/incomes in developing and middle income countries.

Food for Peace Act: Title II, Emergency and Private Assistance

- The **objective** of this title was expanded in the Agricultural Act of 2014 with language “to build resilience to mitigate and prevent food crises and reduce the future need for emergency aid”.
- **Emergency food aid** to vulnerable populations in response to malnutrition, famine, natural disaster, civil strife food security, and other extraordinary relief requirements.
- **Non-emergency food aid** for economic development needs that address food security. “Monetization” - Depending on the agreement, commodities provided under the CCC program may be sold in the recipient country and the proceeds used to support development projects. Requires **rate of return** of 70%
- **Nutrient needs** must be considered in food aid.

Section 416(b) of the Agricultural Act of 1949

- **Aim** to support agricultural, economic, or infrastructure development programs
- Entirely dependent on the availability of **surplus** commodities in CCC inventories.
- The commodities are made available for **donation or sale** through agreements with foreign governments, PVOs, cooperatives, and intergovernmental organizations.

Food for Progress (FFP) 1985

- Assist developing countries and emerging democracies to strengthen free enterprise development in the agricultural sector.
- **Focus** on private sector development of agricultural infrastructure, such as improved agricultural production practices, marketing systems, farmer training, agro-processing, and agribusiness development.
- A minimum of 400,000 metric tons of commodities.
- FY2011, FFP provided more than 240,000 metric tons of U.S. commodities with an estimated value of \$162 million to implementing partners in 9 developing countries.

McGovern-Dole International Food for Education and Child Nutrition Program

- Authorized in the 2002 farm bill (P.L. 107-171), the Farm Security and Rural Investment Act of 2002.
- Commodities, financial and technical assistance to carry out school feeding programs and maternal, infant, and child nutrition programs in foreign countries.
- Enacted FY2013 appropriation provides \$185 million.

Table 4. International Food Aid Program Levels, FY2003-FY2014 (Requested)
(\$ millions)

Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (est.)	2014 (req.)
Food for Peace (Title II)	1,960	1,809	2,115	1,829	1,787	2,061	2,321	1,690	1,497	1,466	1,475	0
Section 416(b)	213	19	76	20	0	0	0	0	0	0	0	0
Food for Progress	137	138	122	131	147	220	216	148	162	246	255	255
McGovern- Dole IFEC	100	50	90	96	99	99	100	210	199	184	185	185
Local & Regional Procurement Pilot	—	—	—	—	—	0	5	25	23	5	0	0
TOTAL	2,410	2,016	2,403	2,076	2,033	2,380	2,642	2,073	1,881	1,825	1,754	440

Source: USDA, *Annual Budget Summary*, various years. These data are program levels (i.e., the value of goods and services provided in a fiscal year) not appropriated amounts. The FY2014 budget request proposes to replace funding for Food for Peace (P.L. 480) Title II food assistance with an equivalent amount in three USAID assistance accounts: Development Assistance (DA), Community Development and Resilience Fund (CDRF), and Emergency Food Assistance Contingency Fund (EFAC).

USDA's Agricultural Export Development Programs

- Export market development programs.
- Export credit guarantee programs.
- Direct export subsidy programs.
- Technical Assistance for Specialty Crops (TASC) Program

Export market development programs

- **Market Access Program (MAP)**

Provides funding to nonprofit U.S. agricultural trade associations, nonprofit U.S. agricultural cooperatives, nonprofit state-regional trade groups, and small U.S. businesses for overseas marketing and promotional activities.

- **Foreign Market Development Program (FMDP)**

FMDP funds industry groups, with a match requirement, to undertake activities such as consumer promotions, technical assistance, trade servicing, and market research by the government and industry groups.

Export market development programs

- **Emerging Markets Program (EMP)**

Provides funding for technical assistance activities intended to promote exports of U.S. agricultural commodities and products to emerging markets in all geographic regions, consistent with U.S. foreign policy.

- **Quality Samples Program (QSP)**

Assists U.S. agricultural trade organizations in providing small samples of their agricultural products to potential importers in emerging markets overseas.

Export Credit Guarantee Program (GSM-102)

- The GSM-102 program provides credit guarantees to encourage financing of commercial exports of U.S. agricultural products, while providing competitive credit terms to buyers. By reducing financial risk to lenders, credit guarantees encourage exports to buyers in countries — mainly developing countries — that have sufficient financial strength to have foreign exchange available for scheduled payments.
- The program is available to exporters of:
 - high-value, consumer-oriented, processed products such as frozen foods, fresh produce, meats, condiments, wine and beer;
 - intermediate products such as hides, flour and paper products; and
 - bulk products such as grains, oilseeds and rice.

Direct Export Subsidy Programs

- **Dairy Export Incentive Program (DEIP)**

Aimed to develop international export markets in regions where U.S. dairy products were not competitive due to the presence of subsidized products from other countries. Repealed under new 2014 Act

Export market development programs

- Technical Assistance for Specialty Crops (TASC) Program

Aims to assist U.S. organizations by providing funds for projects that address sanitary, phytosanitary, and technical barriers that prohibit or limit U.S. specialty crop exporters.

Table 6. USDA International Export Program Activity, FY2004-FY2014F
(US\$ millions)

Program	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014F
DEIP ^a	3	0	0	0	0	100	2	0	0	0	0
MAP ^b	125	140	200	200	200	200	200	200	200	200	200
FMDP ^c	34	34	34	34	34	34	34	34	34	34	—
EMP ^d	10	10	10	4	10	10	9	10	10	10	—
TASC ^e	2	2	2	1	4	7	8	9	9	9	—
QSP ^f	2	2	2	1	1.4	2	2	2	3	3	3
GSM-102 ^g	2,926	2,170	1,363	1,445	3,115	5,357	3,090	4,123	5,400	5,400	5,500

Sources: USDA, *Annual Budget Summaries*, various issues, and personal communication. These data are budget authority levels, except GSM-102 program, which includes the value of exports financed through the program.

2014 Farm Bill – Implications to Trade Policy and Food Aid

John VanSickle
Professor of Food & Resource Economics
Director of the International Agricultural Trade and Policy
Center
University of Florida



UNIVERSITY OF
FLORIDA

Institute of Food and Agricultural Sciences