

USDA and USAID Export Food Aid Conference VI

Bert Farrish

Welcome Speaker

8 a.m., April 20, 2004

On behalf of USDA, both the Farm Service Agency and the Foreign Agricultural Service, I welcome each of you to the sixth USDA and USAID Export Food Aid Conference. It's obvious that we have a record attendance this week, 811! I've had the good fortune to know and work directly with many of you over the past few years. And I look forward to the opportunity to meeting many of you for the first time. We are here to learn, exchange a wealth of ideas and find new ways of surmounting the tasks we face.

I'll begin this morning with a brief story about an American movie director that I think parallels our work in food aid.

Cecil B. De Mille was making one of his great epic movies; I think it was the Ten Commandments. He had six cameras set up at various points to pick up the overall action and five more following multiple film plot developments involving the major characters. The cast was large. They had begun rehearsing their scene at 6 a.m. They had gone through it four times. By now it was late afternoon. There

was just enough light to get the shot done. De Mille looked over the panorama, saw that everyone was in their right place, and gave the command for action.

One hundred extras charged up the hill; another hundred came storming down the same hill to meet in battle. In another location Roman centurions lashed and shouted at two hundred workers who labored to move a huge stone monument. The principal characters performed their reactions to the battle. Their words were drowned out by the noise, but the dialogue would be dubbed in later.

After fifteen minutes the scene was complete. De Mille yelled, “Cut!” and turned to his assistant. “That was great!” he said. “It was, Cecil,” the assistant yelled back. “It was fantastic! Everything went off perfectly!”

Enormously pleased, De Mille turned to face the head of his camera crew to find out if all the cameras had picked up all the action. He waved to the supervisor. From the top of the hill, the supervisor waved back, raised his megaphone, and shouted, “Ready when you are, Cecil!”

(Source: <http://www.anecdote.com/index.php?aid=4539>) This was edited for clarity.

In international export food aid, we tackle challenges of epic proportions. By coming together annually, we are reminded of the scope of our work and how many people it takes to get the job done. “Ready when you are” in food export aid involves a cast of thousands --- farmers, warehousemen, procurers, transporters, organizations and partnerships, government and non-government affiliates, and recipients. Every one of us has to be ready to perform our part at the right time and place.

The better we understand one another’s work, the better we can accomplish our own. Some of the questions that are being asked at this conference will help us better coordinate efforts and keep in sync. How can we improve commodity procurement? How can we improve freight efficiency? Improve our software? How can we keep commodity production and surpluses in balance with the world’s food needs? How can we more effectively spend the dollars we have, making them stretch even further?

Let’s turn our perspective to history for a moment. We are still in the 75th anniversary year for the CCC. You’ll hear about Public Law 480 more than once this week because USDA and partner agencies are celebrating the 50th anniversary of PL 480, or the Food for Peace Program, under which the United States has now

shipped nearly 12 million metric tons over the last five years to feed people around the world. Its success is widely acknowledged.

PL 480 refers to the Agricultural Trade Development and Assistance Act of 1954.

At a time in America when farmers were beginning to produce crops in proportions exceeding U.S. domestic needs, the government recognized that combating hunger offered multiple benefits. So in the 1950s and 60s, a number of laws were passed. These laws contributed to crop price support and the balancing and distribution of surpluses. Production management was another part of this equation, as was economic development abroad.

Admittedly, price support contributes to food aid progress. The debate over price supports and supply control has recurred since the 1950s when the price supporters argued with those who believed farm prices should be allowed to fluctuate according to market demand. Originally the debate was set in the context of large surpluses and low prices. Today the debate continues amidst high demand, high production and high prices, keen global competition and the issue of market displacements. It's a difficult juggling act that keeps us on our toes.

It was against the context of the price support debate in the 1950s that PL 480, the oldest, major U.S. food aid program began. Since 1955, more than 100 countries have received PL 480 assistance. Examples of countries who were once recipients and are now purchasers of American commodities are Japan, Taiwan, Korea, Columbia and Ecuador. Shortly, Lauren Landis of USAID will give us a full picture of how specific countries have been helped and explain their journey from food recipient to food importer.

Under PL 480, Title I, the U.S. government finances the sale of U.S. agricultural commodities to countries. The credit terms are more favorable to the recipient country than the terms of normal commercial sales. Most Title I agreements require long-term repayments of U.S. dollars at low interest rates.

Changing market conditions in both the commodities markets and transportation industry have impacted the food assistance programs. The emergence of China has made a tremendous impact on the world transportation and commodity situation. I'll give you some dramatic results of recent changes in four, simple slides.

Slide 1: Global Grain Production/Consumption

Global grain production and consumption over the past five years indicates a far greater increase in consumption versus production. From 1999 through 2003, world consumption has far exceeded production. This has resulted in the US March All Farm Products Price Index reaching the highest level in history.

Slide 2: Global Grains Stocks/Use

Notice how global grain stocks are being depleted as compared to previous years. These are historic lows.

Slide 3: China's Grain Stocks ... Tenable Levels?

And more specifically, compare the global decrease to the decrease in China's grain stocks. China was one of the last countries to hold high levels of grain stocks. This decline in stocks has moved China to a significant importer of both soybeans and wheat and led to declining Chinese corn exports.

Slide 4: Baltic Dry Freight Index

The demand for shipping has increased. A booming Chinese economy has placed huge demand on world dry bulk freight markets leading to historic highs in freight rates. Fuel costs are rising. Port congestion in foreign ports is tying up ships and

slowing down turnaround. Additional maritime security is adding expenses. There is flat growth in new bulk vessel production that's also contributing to pushing freight rates higher.

What are we to expect in the future? None of these increases in demand and costs will decrease soon.

Another Challenge:

How we live in a protein short world is also becoming more problematic. The occurrence of BSE has added new challenges. When mammalian proteins are removed from the feed supply, other protein sources, such as soybean meal or non-fat dry milk are required to fill these needs. This adds competition to the available food supply.

USDA is looking carefully at the needs of the recipients, trying to better anticipate and meet their particular requirements amidst these market dynamics. For some of the staple commodities supplied such as whole grains, processed oils, legumes, and dairy, we have seen prices trend upward. The cost increases directly impact the ability of program managers to meet the legislatively mandated targets regarding

tonnage and assistance need. Healthier foods that are appropriate for receiving nations are also being carefully examined by USDA.

Amidst these changes, USDA continues to make improvements to packaging and transportation of commodities. Recent initiatives include the standardization of package markings for all export food aid to facilitate clear and concise communication among all the parties involved. In addition, USDA has been consulting with the different interests to best minimize commodity loss involving transport containers. Refinements in the process are continuous and we welcome all recommendations for improvement.

Some of the challenges we face today, as a result of booming economies, are increased transportation and freight costs. A key focus of this conference will be looking for ways to become better stewards of our program dollars. To accomplish this we are by necessity turning first to find ways to improve our technology and delivery.

Farm Service Agency is currently upgrading two systems; the Export Bid Entry System (EBES) and the Freight Bid Entry System (FBES). These are being transitioned to a new Web-based system that will help us dramatically speed up our

evaluation of purchases for international food assistance. It will take the current freight evaluation from a manual process to an automated one. Another goal will enable us to trace food from agreement to delivery and enhance the reporting capabilities of all the agencies involved. Just the elimination of time-consuming faxing and follow-up phone calls will contribute to cost-cutting savings.

The new system will also streamline the commodity procurement and planning process with real-time data access. It will provide improved approval capabilities by interfacing with the Processed Commodities Inventory Management System (PCIMS) and the Food Aid Request Entry System (FARES). Real-time Web capability will greatly increase data accuracy. Currently, three agencies, FSA, AMS, and FNS are busy planning the replacement of PCIMS with a state of the art web based supply chain management system.

During the next decade we will be expected to craft new policies that take into consideration the context of the global economy, environmental goals, and humanitarian goals, and trade agreements.

In a country where farmers are praised and admired for their prodigious production, we have the energy, will and resources to help the less fortunate. To

help those who are living in poverty, upheaval and turmoil. We are focusing on how we can accomplish more, do it better, do it more efficiently and more economically. We will not forget the needs of others. We are and will continue to be at the ready to help feed the world.

Thanks again to our partners within USDA and USAID and for all the planning assistance we have received from many of you attending this year's conference.

Thank you for your attendance, your input and focus on the critical issues in food aid. And I wish each of you a productive and fulfilling conference.

Lauren Landis

Background:

De Mille, Cecil Blount (1881-1959) American director, co-founder of the Academy of Motion Picture Arts and Sciences (AMPAS) [noted for his role as host of "Lux Radio Theater" (1936-1944), and for such epic films as The Road to Yesterday (1925), The King of Kings (1927), The Sign of the Cross (1932), Cleopatra (1934), The Plainsman (1936), Union Pacific (1939), The Buccaneer (1938), Reap the Wild Wind (1942), Samson and Delilah (1949), The Greatest Show on Earth (1952, Best Picture Oscar), The Ten Commandments (1956)]