

Testimony of
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On
**Efforts to Deliver International Food Aid and
Agricultural Development Assistance**

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Subcommittee on Specialty Crops, Rural Development and Foreign Agriculture

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Mr. Chairman, thank you for inviting me to testify. You are to be commended for focusing attention on the present world food situation, which is unarguably in dire crisis. Most experts are telling us that we face a profound, pervasive and persistent problem—and a growing one. Today’s high food prices will add about 100 million people to the 850 million already food-insecure, and climate change may put another 50 million at risk by 2020.

I presently serve as Senior Vice President at ACDI/VOCA responsible for that organization’s food security and specialty crop programs. This month ACDI/VOCA observes its 45th anniversary working on worldwide agricultural development and food security. We were founded in 1963 by U.S. farmer cooperatives in response to Congress’s desire to have co-ops play a role in U.S. foreign assistance, and since then we have operated in 145 countries on behalf of USAID, USDA and other donors. Andrew Natsios, former USAID administrator, called ACDI/VOCA the “premier agricultural development NGO in the world.”

I welcome the opportunity to speak the language of agricultural development to you. Permit me to say that, unfortunately, it has almost been a “lost” language in the foreign assistance arena. This defies logic, since the main beneficiaries are the billion people who subsist on less than a dollar a day, of whom three-quarters live in rural areas and depend on agriculture for a living. These rural poor now have to spend about half their income on food. And productivity growth in developing country agriculture has fallen from 3 percent per year in the 70s and 80s to less than 1 percent today, even in the face of burgeoning populations. This is a sorry situation—all the more so because it was largely preventable.

Twelve years ago I had the honor of serving as the National Food Security Coordinator and participating as a member of the U.S. delegation to the World Food Summit in Rome. At that time the U.S. Government joined the international community in committing to the reduction by half of the 850 million hunger people in the world by 2015. Regrettably scant progress has been made on that commitment so far. I hope that the current crisis

doesn't prove to be yet another opportunity for lofty rhetoric but little political will to address this unconscionable condition.

The World Food Summit did do a good job of reaching consensus that the achievement of food security will require addressing multiple factors simultaneously. There is, of course, the need to provide emergency assistance; but that must be accompanied by, among other things, a significant investment in food production and rural income generation. Technological advances cannot be overlooked; they were instrumental during the Green Revolution and are just as possible and necessary today. Trade policy, as well, is of critical importance; farmers obviously need to be able to market their production at a fair price.

The strategy needs to be a balance between doing what we can—what we must—in the short-term to avoid starvation, distress and instability, but by all means redoubling our efforts toward sustainable solutions. And, as this subcommittee surely understands, but as is so often overlooked in the rhetoric about the crisis, many of the world's farmers see in today's rising food prices unprecedented opportunity if they are able to develop their capacity and capture markets.

Global food production must grow by 50 per cent by 2030 to meet increasing demand, as United Nations Secretary General Ban Ki-moon told world leaders at a recent conference in Rome. "Nothing is more degrading than hunger, especially when it is man-made," he said. "It breeds anger, social disintegration, ill-health and economic decline." But will the world's 450 million smallholder farmers, those on two hectares or less, be part of the solution? We say they must for the sake of widespread food security. Besides, leaving them out would result in greater hunger and poverty, and attendant disposal of productive farm assets, poor education, infant mortality, disease and massive out-migration from rural areas that would add to spiraling problems in overcrowded cities.

Many of the world's worst-off need direct emergency food aid. For ACIDI/VOCA's part, we are not generally involved in emergency assistance. However, we selectively do food distribution in contexts where it makes sense, e.g., supplemental feeding for HIV/AIDS-affected households, and mother and child health.

Others will likely cover food aid distribution more fully. I would like to use this opportunity to say a few words about ACIDI/VOCA's approach to non-emergency food aid, specifically PL 480 Title II and Food for Progress programs, which are an important part of our portfolio. When possible, ACIDI/VOCA uses the process known as monetization, the selling of the donated U.S. commodities, as a means of stimulating trade within a country. Where appropriate, we design the process so that small traders have access to markets. By breaking up the commodities into small lots and working directly with local marketers in an auction or another sales process, we stimulate the local market, promote entrepreneurship and fair competition, and provide a more efficient and wider distribution of needed foodstuffs. ACIDI/VOCA has considerable experience with PL 480 Title II programs in Africa and more recently in Haiti. We have monetized on behalf of NGOs such as Catholic Relief Services, World Vision and CARE. We have managed over a million metric tons of commodities.

The second prong of ACDI/VOCA's food aid approach is the use of the monetization proceeds to improve food security, promote agricultural development, improve natural resource management, establish and promote rural micro- and small-business credit institutions, and open up commercial markets for small producers as well as programs for people living with HIV/AIDS and their families. In short we and other NGOs involved in food aid undertake developmental programs that are designed to assist families to become self-sufficient and, over time, reduce the need for emergency food aid programs. Our programs in places like Uganda and Cape Verde are replete with examples of this.

We need to avoid becoming too reliant on direct distribution of food aid as a response to the current crisis. We support local purchase of food aid as a tool in the tool box, but urge that it be employed carefully with all the same disciplines that are applied to other food aid programs.

Agricultural Development

It has now been widely acknowledged that the diminution of development aid devoted to agriculture over recent decades was a terrible mistake. Since ACDI/VOCA's roots are in the Green Revolution, we couldn't agree more. Investment in agriculture in recent decades should have been a powerful tool for improving food security and reducing poverty. The World Bank calculates that for the world's poorest, GDP growth generated by agriculture is up to four times more effective in reducing poverty than growth in other sectors. Yet the proportion of official development assistance to agriculture has fallen to less than 3 per cent from 18 per cent of all aid in 1979.

The World Bank's 2007 World Development Report posits that almost no country has managed a rapid rise from poverty without increasing agricultural productivity. Vietnam, a graphic example, has risen from being a food-deficit country to the world's second-largest rice exporter, largely as a result of the development of its smallholder farming sector. The proportion of people living in absolute poverty there has declined from 58 percent to 14 percent.

The FY09 U.S. budget proposes that only 2 percent of foreign aid expenditures be directed to agriculture. The U.S. commitment to agricultural development has declined from \$489 million in 2005 to the current level of \$283 million in 2008, the lowest level of U.S. agricultural development spending in more than a decade, even before adjusting for inflation. ACDI/VOCA is pleased to be playing a leadership role in a new broad-based Coalition for Agricultural Development (CFAD) which is encouraging Congressional appropriators to allocate a minimum of \$600 million for agricultural development in FY09. This is the first time in history that a coalition of US based private sector companies, NGOs, religious groups and others have come together to advocate for reversing the decline in U.S. spending for agricultural development.

Examples

Let me address how the extra money should be spent. ACDI/VOCA takes a comprehensive value chain approach to agricultural development and examines whether, for example, farmers are organized to understand and capitalize on markets, build their

internal capacities and take advantage of economies of scale. Do they need access to microfinance to pay for fertilizer, seeds and equipment, or can they even obtain those essentials? Do they need upgraded technology, land reform, an enabling business environment, infrastructure? We identify constraints and opportunities up and down the respective agricultural value chains and, within our donors' project objectives, act accordingly to develop a sustainable local food system.

In Kenya, the poorest quarter of the population was spending 28 percent of its income and probably more now on maize. Our project there considers the crop's entire value chain in an effort to improve the lot of smallholder farmers who grow it and to provide more food. Besides organizing Kenyan producer groups and improving cultivation techniques, ACDI/VOCA develops market linkages and promotes interfirm cooperation. We have built relations with a diverse consortium of partners and established a market information network. This year's maize business fair in Eldoret, where our new 176-page Kenya Maize Handbook was a hot item, drew 15,000 people, including many key private sector players. ACDI/VOCA has helped quadruple yields among beneficiary farmers while reducing costs 40 percent. This has generated approximately \$133 million in earnings for our 250,000 beneficiary farmers.

Good business principles help make producer groups sustainable. A legacy of our work in Malawi, which ended in 2003, is the National Association of Smallholder Farmers of Malawi, known as NASFAM, still going strong today. NASFAM is a member-owned and -run organization that encourages smallholders to form village-based clubs and associations to increase farming revenues and stimulate economic development. The association has developed farming skills, purchased inputs in bulk, built its own warehouses and linked to markets in Africa and Europe for sales of its high-value peanuts and bird's eye chilis. Today NASFAM represents over 100,000 farm families and has established a commodity exchange and subsidiaries that provide business services.

Organizing for sustainability has been a hallmark of our success in Ethiopia where ACDI/VOCA helped revitalize cooperatives and founded second-tier coffee cooperative unions. These unions gained permission from the government to bypass the central coffee auction and began exporting on behalf of their members. Increased market share and traceability led to further quality improvements. Again, because the project addressed the whole value chain, it arranged finance, tractor rentals, transportation deals, representation at world coffee forums, etc. Today Sidama and Yirgacheffe coffee from these smallholders is recognized by gourmands around the world. Ethiopia's successful coffee growers are well positioned to continue putting food on the table even as food prices increase.

Conclusion

Mr. Chairman, in summary, food shortages, lack of empowerment of people to become self-sufficient, high prices and inefficiency in the world food economy have been ACDI/VOCA's 45-year preoccupations. We know that more productive farming is fundamental to the world's prospects for progress and peace, and to the extent it is market-based, the private sector can and will play a welcome and significant role.

As Senator Lugar said about the food crisis, “Our response exposes our weaknesses, but it also points the way to needed reforms.” Time after time, USAID mission directors have shared with us their frustration over allocations of development assistance that de-emphasize agriculture. While the poor suffer from educational, health and other maladies, I trust we have learned that their foremost need is food, and, where livelihoods are agriculture-based, food production is the engine of the economy.

To conclude, I reiterate my concern that the global food crisis not be just another opportunity for hand-wringing and lofty rhetoric on the part of the international community. I hope we will do our part by providing robust funding mechanisms to make long-term sustainable agricultural development a priority again. If ACIDI/VOCA and its partners have the wherewithal to carry on our work, the risk of future food crises of this one’s magnitude will be substantially reduced.