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Bitter Harvest

As U.S. Food Aid Enriches Farmers, Poor Nations Cry Foul

Sending Crops, Not Cash,
Eases American Gluts,
Ignores Local Surpluses

A Pitch From Raisin Growers

Farmer Jerman Amente threw open the doors of his stone-and-concrete warehouse in Nazareth, Ethiopia, to reveal a jarring sight in a country stalked by famine.

Hundreds of white plastic bags, each filled with 220 pounds of wheat or corn, were stacked in neat columns rising to the wooden rafters. The bags, marked with the green, yellow and red stripes of the Ethiopian flag, held local surplus grain, grown on the fertile highlands that have defied the drought choking other parts of the country.

On the narrow blacktop road outside, Mr. Amente has a regular view of another jarring sight: truck after truck carrying other bags of grain from the port of Djibouti. These bags, marked in red white and blue, contain food aid from the

By Roger Thurow in Nazareth, Ethiopia, and Scott Kilman in Genesee, Idaho

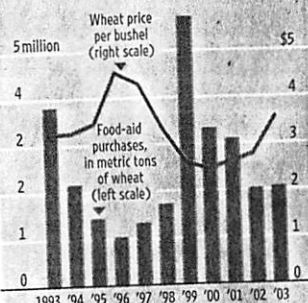
U.S. It has saved countless lives among the more than 12 million people made destitute by the failure of their fields and pastures.

"We really appreciate it," said the 35-year-old Mr. Amente. Yet he says farmers are "sad and discouraged" that the U.S. government buys surplus grain from American farmers and sends it halfway around the world—one million metric tons already to Ethiopia—instead of first buying what Ethiopians produce. He estimated that at least 100,000 metric tons of corn, wheat, sorghum and beans, still available after local consumers have been supplied, are languishing around the country in warehouses like his, where some of his own grain has sat for eight months.

But the U.S., the most generous donor, is bound by legislation to send its own homegrown food for aid, rather than spend cash on foreign produce, in all but the most exceptional cases. It is a mandate that supports American farmers, processors and shippers, as well as the world's hungry. And this system, begun with humanitarian impulses in the era of

Food Aid at Home

How U.S. farmers benefit: As wheat prices fluctuate, the U.S. adjusts its buying in food aid.



Note: Wheat price is the weighted average for the year ending May 31. Tonnage is for the fiscal year ending Sept. 30. For 2003, wheat price is an estimate, and food-aid purchases are year to date.

Source: U.S. Agriculture Department

by business and political imperatives tied to hunger abroad.

Debate over the issue is escalating this week as World Trade Organization negotiators gather in Cancun, Mexico, for trade talks. American food-aid practices have come under serious attack as part of the wider effort to reduce Western farm subsidies that depress global commodities markets. More than just poor farmers see U.S. food aid as competition: Rival exporting powers such as the European Union and Australia charge that Washington uses food aid to dump surplus commodities, in effect subsidizing U.S. growers.

The Bush administration has agreed to consider how to impose "disciplines" on American food aid during the Cancun talks. But Washington shows little sign of agreeing to any significant changes.

Farmers on both sides of the world are fighting to defend their turf. Two weeks ago, a group of Ethiopian farmers and grain traders sent a petition to the prime minister's office, urging the government to seek money from donor nations to buy local grain for food-aid distribution before bringing in more from outside. The petition warned that if warehouses aren't cleared out soon, there won't be money to pay for this year's harvest or space to store it. Domestic prices will collapse. Loans will go unpaid, farmers will plant less next year and the cycle of famine will spin on.

As they were drafting their plea, a

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Aid Enriches Farmers, Poor Nations Cry Foul

developing world.

The American government's top famine fighter wishes the laws limiting him from buying foreign commodities would change. Andrew S. Natsios, administrator of the U.S. Agency for International Development, wants the authority to spend 10% of his food-aid budget on local food. But he acknowledges that he lacks the political muscle for such a change.

"It would cause a huge controversy" in the farm lobby, says Mr. Natsios. "But we need more flexibility in the way the law is written."

In Ethiopia, the tons of food aid and decades of hunger-fighting efforts have failed to prevent recurring famine and widening impoverishment. While Ethiopia receives the greatest amount of emergency relief in sub-Saharan Africa, its per capita level of foreign development aid from Western donors is one of the lowest on the continent. This year, for instance, the U.S. government's food aid to Ethiopia is valued at about \$500 million. Its spending on agricultural development projects to avert future famines in the country is only about \$5 million.

While emergency food aid will remain necessary in times of shortfalls in local production, government officials and aid workers in Ethiopia are advocating a policy shift among the major donors. The emphasis on food aid, they say, needs to be matched by long-term investments in agriculture and water that will develop the economy and save livelihoods as well as lives.

The imbalance toward food aid has fueled a deep suspicion in the country that donors would rather have their farmers feed Ethiopia than help Ethiopians feed themselves. It also has bred a welfare mentality among many Ethiopians. "You hear people say they don't care whether it rains in Ethiopia as long as it rains in Iowa and Washington," says Messfin Abebe, adviser to the deputy prime minister and minister of rural development. "They consider it their right to get food aid, whether they are starving or not. The time has come to break our dependency on food aid."

The \$2.6 billion Washington expects to spend during the year ending Sept. 30 to buy and ship U.S. commodities for its food-aid programs may be small, compared with the \$21.4 billion it is sending in subsidy checks to farmers. But it supports a vast infrastructure stretching from the farmers driving the wheat combines to the deckhands of the U.S. flagged vessels, which by law are guaranteed much of the business of shipping the food aid.

"Food aid has a huge constituency," says John Gillcrist, president of processing operations of Bartlett & Co., a Kansas City milling and cattle concern.

About a quarter of the 1.2 million metric tons of vegetable oil exported from the U.S. is for food-aid programs, a business valued at about \$256 million this fiscal year.

When food-aid orders for rice slowed in 2001, lawmakers from rice states wrote the White House that mills were closing. The next year, federal purchases of rice for food-aid programs jumped 53% to \$81.2 million. Commodity-processing giants Cargill Inc. and Archer-Daniels-Midland Co. benefit from food-aid programs, too, shipping a combined 1.9 million metric tons this fiscal year to a range of countries from Ethiopia to Vietnam.

"Food aid keeps our export infrastructure alive," says Mr. Gillcrist of Bartlett, which sells one-sixth of the flour it makes annually, or about \$11 million, to food-aid programs.

Federal law sets aside jobs for handicapped workers, who divide bulk shipments of crops, cooking oil and nonfat dried milk into consumer-ready packages. Food aid is big business for U.S. ports such as Lake Charles, La., where one-third of the tonnage leaving the Gulf of Mexico facility is food aid.

America's style of aid also is designed to promote American products. Through past calamities, aid shipments have introduced people around the world to American food, creating markets that continue today in places such as Japan, South Korea, Peru and the Philippines.

California's raisin farmers are the latest to try to ride the food-aid program. Buried under a glut at home, they're trying to persuade dozens of humanitarian groups to place orders with Washington for raisins made from Thompson seedless grapes. Their pitch: Raisins don't require preparation and have a long shelf life.

That same hope inspired the U.S. National Dry Bean Council to visit southern Africa and Ethiopia last month. At a reception in the luxurious Addis Ababa Sheraton, council members talked up the nutritious benefit of their beans with representatives of aid organizations that distribute food. About 5% of U.S. production of dry beans—such as pinto beans and navy beans—goes abroad in food aid. Though no U.S. beans have been in the food-aid package for Ethiopia so far, nutritionists and aid workers have recently suggested that beans be added to the nutrition mix.

This was welcome news for the Dry Bean Council, which is on the lookout for the "perfect fit, where we can benefit our own industry and where we can relieve hunger in the world," says Amy Philpott, the council's director of international marketing.

America's eagerness to tackle famine overseas began with humanitarian impulses in World War I, when mining engineer and future President Hoover led private efforts to feed and clothe millions of war victims in Europe. But when federal money got involved, so did policies friendly to powerful agricultural interests. Lawmakers required that American aid go in the form of U.S. crops. Congress

passed its first aid law in 1949 with an eye toward disposing of surplus crops being turned over to the government by subsidized farmers.

With price-depressing American surpluses continuing to grow, farm-state legislators such as U.S. Senator Hubert H. Humphrey of Minnesota championed a permanent food-aid policy.

Easy Credit

The 1954 law, called PL-480, gave nations easy credit for buying American crops and gave the White House a big budget for donating U.S. agricultural products around the world. In its early years, food aid was responsible for more than half of America's wheat exports. As American crop surpluses grew, so did American food donations. In the 1980s, Washington found new outlets. Humanitarian groups were allowed to sell the crops donated to them by the U.S. government as a way to raise money for projects such as digging wells and vaccinating children.

America's food-aid programs continue even though the mountains of government-owned crops disappeared in the 1990s. Changes in the farm program got Washington out of the business of storing grain as a way to support farm prices. Now, the government buys the U.S. crops needed for food aid directly from the market. About twice a month, officials in the Agriculture Department's Kansas City offices put out orders for everything from flour to dehydrated potatoes.

Probably no other place relies as much on supplying food aid as the region of the Pacific Northwest known as the Palouse, which is taken from the French word for "green lawn." The climate makes the hilly region uniquely suited for growing a few minor crops, such as lentils, peas and the soft white variety of wheat.

Palouse farmers grow a lot more than Americans can eat. Most of the wheat grown here is consumed overseas. What they can't sell, farmers have long counted on the government to buy as food aid, which lately has been about 10% of the crop. Without those food-aid orders, wheat prices would fall and so would land prices, say wheat-industry officials.

"We feel it would be a disaster for U.S. agriculture if the system changes," says Thomas B. Mick, chief executive officer of the Washington Wheat Commission, a farmer-funded group.

The Palouse-grown peas that are cleaned and processed at Spokane Seed Co. in Spokane, Wash., are used in everything from Campbell's soup to Gerber's baby food. But farmers grow more peas than Americans are inclined to eat, so the family-owned firm relies on food-aid orders for 40% of its sales.

"People here know their jobs depend in part on food aid," says Jim Groth, plant superintendent, as he grabs a hand-

ful of dried yellow peas from a giant rotating cylinder, part of the process of preparing a 420-ton aid order for Kenya. Plant workers will pack the peas into 110-pound bags embossed with the USAID logo.

Down the street, at Northwest Pea & Bean Co., which sits in the shadow of metal silos full of lentils, Gary Heaton's most important job as manager is scanning the government's twice-monthly order list for food aid. Among other things, the government is requesting two-and-half railcars of lentils for shipment to Djibouti in October. "Ethiopia has been good for us," he says.

The hunger business is keeping the lentil industry afloat. When swelling Canadian production sharply depressed U.S. prices two years ago, the U.S. government nearly doubled its food-aid purchases to 83,000 metric tons, which is more than half of the Palouse's entire harvest. Northwest Pea & Bean, which is part of a farmer-owned cooperative, sold one-third of its lentils and peas to food-aid programs last year, a business valued at \$2.8 million.

The complaints of African farmers don't get much sympathy in the Palouse, where growers adamantly oppose the U.S. government's spending taxpayer money to buy foreign crops. "The idea makes my hair stand up on end," says Jim Thompson, who raises 1,400 acres of wheat and lentils near Farmington, Wash.

Mr. Thompson, 35, sold \$20,000 of lentils to the government for food aid in August. "I don't feel like I'm to blame for the problems in the developing world," he says as he stands in one of his fields at dusk, his face haggard from a long day in his harvesting combine. "I just try to produce as much as I can so I can make ends meet."

In Ethiopia, the American food comes rolling down the road from Djibouti. So far this year, the U.S. has distributed emergency relief of 550,000 tons through aid agencies such as CARE, Catholic Relief Services and Save the Children, and 440,000 tons through the World Food Program.

Bashada Iffa, 22, who farms about 10 acres along the Djibouti road, once welcomed American wheat but now worries about his lentils. His family got about 65 pounds of wheat in food aid after they struggled through the drought last year. This year the rains returned and his corn, beans, and lentils look good. He believes he will have a surplus, especially in lentils.

"Why would America send lentils?" Mr. Iffa asks. "We grow lentils in Ethiopia." During the past four years, Ethiopia has produced an average of about 35,000 metric tons of lentils, and has even exported about 1,200 metric tons. He scratches his head under the bill of a blue baseball cap bearing the words "Good Luck." "If we have a good harvest, I think American lentils will only hurt our price," he says.

And American beans may be next. Werqu Mekasha, the local director of an

American-funded group that helps or nize small Ethiopian farmers into cooperatives, showed up early at the National Dry Bean Council reception at Sheraton Hotel. He eagerly approached Bob Green, the executive director of Michigan Bean Commission, and grabbed his hand.

"Can you help our farmers sell their beans in America?" he asked.

"Actually, we represent American bean growers," said Mr. Green.

"Oh," said a crestfallen Mr. Mekas dropping the American's hand. "You're our competitor."