

**Written Testimony of Ron Suppes, Kansas Wheat Farmer
for the U.S. House of Representatives
Committee on Agriculture's
Public Hearing, The Next Farm Bill: The Future of International Food Aid
and Agricultural Development**

June 7, 2017

Chairman Conaway, Ranking Member Peterson, and Members of the Committee,

As a wheat farmer from Dighton, Kansas and a Past Chairman of U.S. Wheat Associates, food aid is a topic of deep interest to me, and I recently had the opportunity to learn more about smart American generosity by visiting USDA Food for Progress projects in Tanzania funded by wheat monetization. The Hard Red Winter (HRW) wheat my family produced may very well have gone to Tanzania, or to another country receiving wheat from a food aid program, so I can speak directly to the value of these programs to the United States and to American farmers in particular.

Wheat in Food Aid

The wheat industry has been a strong partner in U.S. food aid for more than 60 years, and American farmers take great pride in being able to share their bounty with people most in need. More wheat is used in U.S. in-kind aid than any other commodity, averaging 40 percent of the total. It is also the most popular commodity for monetization. It is a versatile product and of key dietary importance—bread products are staples in diets around the world. Wheat is the source of 20 percent of the world's caloric intake and provides 20 percent of protein for the world's most vulnerable 4 billion people.

The United States continues to be the world leader of in-kind food aid donations and total development assistance, and maintaining these programs gives us farmers a reason to be proud—the wheat I grow is doing good halfway around the world. Food aid has changed a lot since the Office of Food for Peace was created over 60 years ago by President Eisenhower (a Kansan, I might add). Now we have a range of tools available that can be used in more nuanced ways and to best fit the needs of each situation. Food for Peace does a great job of getting U.S. commodities in large quantities to populations that need them. McGovern-Dole, another program with a Kansas founder (are you sensing a theme here?), works with smaller quantities of food but targets school feeding and improving nutrition for children, and as we all know, children are the future. Then you have programs like Farmer to Farmer, that bring farmers and other experts to communities overseas to provide short-term technical assistance.

Food aid continues to matter for several reasons. In the long-term, it helps generate goodwill in other countries, a sentiment I saw firsthand in Tanzania. But in the short-term, these programs also involve a significant amount of wheat, a fact not lost on Kansas farmers with full grain bins and more wheat piled on the ground from last year's historically high harvest. Moving toward more cash or local and regional procurement in Title II programs would impact U.S. farmers and hurt a vulnerable population. While these tools have a place in foreign assistance programs, U.S. commodities play an important role in

helping regions unable to produce wheat and other commodities on their own due to drought, conflict or other circumstances. We have enough surplus that no one should be going hungry.

In Marketing Year 2015/16, we sent almost 600,000 metric tons (MT), or about 22 million bushels, of HRW as food aid. That makes up almost 10% of last marketing year's HRW exports, and only Japan, Nigeria, and Mexico imported more HRW. Total wheat donations last year were over 700,000 MT, about 26 million bushels, and ranked as a top 10 destination. In addition to HRW, the U.S. sent Hard Red Spring, Soft White, and Soft Red Winter wheat overseas as food aid. Creating markets isn't the point here, but we can't discount the size of those donations. A significant portion of these donations went to Ethiopia because the country was facing famine. 8,000 miles away, wheat farmers in Kansas were helping Food for Peace prevent starvation. According to the World Food Program, four countries are currently at risk of or experiencing famine now, the worst crisis seen since World War II; in a time of wheat surplus and low prices, U.S. commodities remain a vital tool to fight hunger.

Monetization as a Powerful Tool in Agricultural Development

Monetization is a food aid tool that provides necessary commodities to food-insecure areas and benefits development programs by generating funding from the sales of donated U.S. commodities. The long-term value of monetizing a commodity goes beyond the important development work it funds. Monetization creates local business opportunities and increases food availability. It can also give local small- and medium-sized buyers a competitive advantage because it is priced comparably to what a large buyer would pay. Well timed monetization deliveries can help stabilize food availability all year, which also helps reduce local market price volatility. Finally, monetizing U.S. wheat helps stimulate local milling industries – providing an economic engine and valuable employment opportunities.

U.S. Wheat Associates also works with NGOs to make sure that wheat monetization does not disrupt any existing commercial markets. Wheat as a commodity is a good fit in many countries because there is limited domestic production, if any. Countries near the equator typically must import wheat anyway, so wheat monetization doesn't disrupt markets for domestic farmers.

A supplementary benefit of these programs is the goodwill they foster, which can build relationships with future trade partners. In fact, historically, monetized commodities into South Korea and the Philippines introduced those markets to U.S. exports, and now they're both top 10 markets for U.S. wheat. More recently, monetized U.S. wheat introduced the benefits of superior quality milling wheat to one of Ethiopia's larger flour mills. In a traditionally price-driven market, this positive experience demonstrated an opportunity for future U.S. wheat imports and generated funding for a local agricultural development project. The money from the monetization, along with the bran byproduct from the milled wheat, went to ACDI/VOCA's Feed for Enhancement for Ethiopian Development project, where the bran was a key ingredient in the livestock feed concentrates used by the people who benefit from the project.

Monetizing commodities to fund projects can yield results that simply giving cash does not. Thanks to monetization through Title II funding, Mozambique grew from 2 mid-sized mills in the 1990s to more than 7 in 2015. This is because, more than commercial or cash interactions, monetization transactions have less restrictive payment terms, allowing millers time to build capital with longer payment periods. Additionally, the mills were able to conduct transactions in their local currency when access to foreign currency was limited. The monetization programs allowed the mills to produce better quality wheat flour with readily available U.S. wheat, and because U.S. Wheat Associates followed up on those wheat purchases with technical support to millers and bakers in the country. These benefits are all on top of the developmental gains to the country from the original NGO project the sale funded.

Food for Progress and Tanzania

In Tanzania, I saw how the Hard Red Winter and Hard Red Spring wheat monetized there allowed the miller purchasing the wheat to pass along savings to their poorer customers. I also visited four of the projects funded by wheat monetization in the country. These projects are versatile and fully embody the Food for Progress program's devotion to building commercial capacity in agriculture. Two of the projects, run by Global Communities and Small Enterprise Assistance Funds, targeted small and medium-sized enterprises so that they could better expand and work with smallholder farmers. The other two projects, run by Catholic Relief Services and FINCA International, focused on working directly with farmers to enhance their production and, even more importantly, help connect them with markets for their product.

These people aren't looking for charity, but rather for a way to build a better life for their families and communities. I could not farm without access to credit, which these farmers and agribusinesses often lack. Even when they're successful, agriculture is considered too risky by lenders, so any growth has to come from saved capital. These projects help overcome that challenge by providing credit to farmers as well as training and market connections. By helping encourage agricultural development in Tanzania, we're ultimately spurring economic growth, which means Tanzania is more likely to be a stronger trading partner in the future. And the tangible presence of U.S. wheat in that equation is a symbol that cash can't match. It is vital that the U.S. continue to fund food aid programs overseas.

Monetization programs are a powerful tool for agricultural development overseas, but USDA's Food for Progress program is severely hindered by a transportation cap that hasn't increased to match rising transportation costs. If the \$40 million transportation cap was raised, we would be able to help more farmers and agribusinesses in developing countries.

Wheat Industry Working Together on Food Aid

The wheat industry has adopted the following resolutions, which represent the full range of tools available to U.S. agencies and PVOs. These resolutions clearly reflect a priority on choosing the right tool to address a given instance of food insecurity, rather than blanket support of in-kind food aid. These

principles thoroughly capture the industry's commitment to food aid and its belief that these programs are vitally important. Those principles are:

- Promote wheat as a nutritious component of international food aid.
- Support funding of P.L. 480 Title II food assistance programs at \$2.5 billion, the full amount authorized by law.
- Support a strong, flexible U.S. food aid program that contains both in-kind donations and monetization.
- Support funding and implementation of local and regional procurement programs through the Foreign Disaster Assistance Act and USAID.
- Support USDA administration of Food for Progress.
- Encourage an increase to the Food for Progress Transportation Cap and efforts to mitigate the effect of Cargo Preference rules on cost recovery calculations.
- Support the U.S. government's agricultural development initiatives as a supplement to existing emergency and non-emergency humanitarian assistance programs such as P.L. 480 Title II programs.

Conclusion

Farmers are unique stakeholders in the international food aid conversation, and we've been loyal partners and advocates of these programs since they started. I want to see us continue our trend of excellence in providing food aid to the countries that need it most. I want to be able to tell my grandchildren that wheat from my farm is helping food insecure populations in rural Sub-Saharan Africa develop their agricultural infrastructure. And I want our industry to be able to continue working cooperatively with millers and NGOs in other countries who see the extensive value of U.S. wheat donations.

This is a year when the U.S. wheat farmer has been a world leader in producing a surplus of wheat. It is a year when the U.S. needs to be a world leader in helping provide for this in need with these ample supplies. When blessed with good fortunes and yields, it is an obligation to help provide for those who cannot provide for themselves. It is a humanitarian issue, and food security is the answer to achieving stability around the world.

Mr. Chairman, your leadership in this area is appreciated, and I applaud this committee's efforts to recognize the valuable role that the agricultural industry plays in international food aid. There's still so much work to do to feed our growing worldwide population, but I think we're on the right track, and the U.S. continues to be a strong leader in helping hungry populations around the world. Thank you for allowing me to submit testimony for this timely hearing.

Sincerely,

Ron Suppes