

## FOOD AID

The Global Dairy Alliance supports the objective of the Hong Kong Ministerial Declaration which sought “effective disciplines on in-kind food aid, monetisation and re-exports so that there can be no loop-hole for continuing export subsidisation”

### The Global Dairy Alliance Position

- Food aid should not be used as a means of surplus disposal
- Food aid should only be used for genuine humanitarian emergency assistance on a bilateral basis or under programmes operated by multilateral food agencies
- All food aid should be notified in advance, except in genuine emergencies, to the WTO Committee on Agriculture and be subject to challenge by WTO members. The notification process should include the setting of Usual Marketing Requirements
- Food aid should not be provided in monetised forms as these directly cause food aid to enter commercial markets
- Food aid “donations” not meeting the definition of emergency aid or not channelled through multilateral food agencies, should be added to “donating” members’ utilisation of export subsidies

### What’s the Issue?

The Global Dairy Alliance recognises the role food aid can play in alleviating genuine humanitarian crises.

Nevertheless, food aid has the potential to be used to as a mechanism for surplus disposal, thereby circumventing export subsidy commitments.

Surplus product, used as food aid, is often donated in a monetised form. This can enter commercial markets and result in displacement of product traded through normal commercial channels. It can also cause lowering of prices in the recipient countries’ markets, impacting negatively on both developing county producers and non-subsidised exporters.

The agreement to eliminate the use of export subsidies will increase the incentive for subsidising countries to use food aid as a mechanism for surplus disposal.

### What’s the Solution?

#### Provide enforceable disciplines

It is important that Doha Development Round negotiations provide enforceable disciplines to prevent misuse of food aid as a guise for surplus disposal by subsidising countries.

The FAO Consultative Subcommittee on Surplus Disposal (CSSD) monitors the impact of food assistance programmes on commercial trade and agricultural production, but does not have enforcement powers. In the absence of enforceable disciplines, with the elimination of export subsidies, there could be a proliferation of food “aid” to dispose of surplus product no longer eligible for export subsidies. Without enforceable disciplines, disruption to dairy markets could be shifted from one mechanism to another.

#### Avoid commercial displacement

The proposals already developed in the WTO recognise the problems of commercial displacement and form a reasonable basis for acceptable food aid which should:

- Be based on independently verified needs assessments
- Be based on agreed objective and targeting mechanisms
- Result in increased food consumption of the target population
- Not be linked to market development objectives of donor Members
- Be solely in response to appeals from predefined specialised international or intergovernmental agencies such as the United Nations or Red Cross/Red Crescent

### Close the loop holes

In order to stop donations from entering local markets, further disciplines should require that:

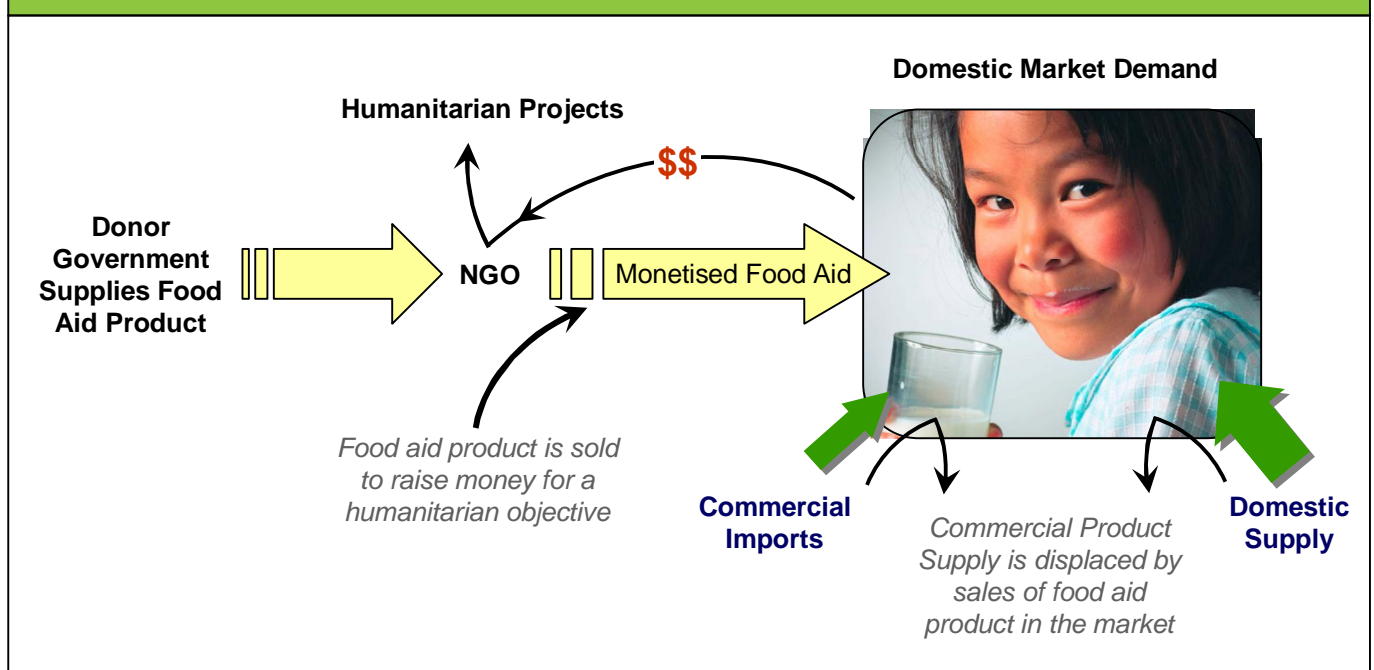
- Donations should not be linked to the surplus disposal objectives of donors
- Food aid should not be monetised

### Establish effective non-compliance enforcement mechanisms

Non-compliance with food aid provisions must be raised and enforced within the WTO Committee on Agriculture. An effective enforcement mechanism must provide for:

- All shipments which are not strictly on normal commercial terms to be notified to the WTO Committee on Agriculture
- Donations not conforming with agreed rules for food aid to be counted against the donor member's export subsidy commitments

## Monetisation



### Extract from an Oxfam Briefing Paper (March 2005)

*“A substantial portion of non-emergency project food aid is monetized, and this trend has been increasing in recent years. In 1990, approximately 10 per cent of US food aid donations were monetized to generate cash. In 2002, the monetization rate was approximately 60 per cent, after peaking at 70 per cent in 2001. This means that a large proportion - even a majority - of food donated as project food aid is not used as food at all, but is converted to cash. The cash may be used to finance anti-hunger projects, or to run nutrition programs, or for any number of other worthy purposes. However, the fact remains that a large part of the food that is donated as aid is simply a heavily discounted and cumbersome cash contribution.*

*Monetized food aid is untargeted food aid: selling food aid on markets permits little or no targeting of distribution or consumption to the most food insecure or malnourished populations.*

*In this way, monetized food aid is the most trade-distorting form of food aid. While monetization raises concerns about the impact of food aid on trade displacement, a deeper problem lies in the low levels of funding dedicated to development and humanitarian projects.*

*Many NGOs, for example, recognize that monetizing project food aid is a hugely inefficient, and potentially counterproductive, way to generate funds for development projects.”*