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The Bill Emerson Humanitarian Trust: Background and Current Issues

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Summary

The Bill Emerson Humanitarian Trust is becoming a critical component of the U.S. response to humanitarian food emergencies in Africa, Iraq, and elsewhere. The Trust, as presently constituted, was enacted in the 1998 Africa Seeds of Hope Act (P.L. 105-385). It replaced the Food Security Commodity Reserve established in 1996 and its predecessor the Food Security Wheat Reserve of 1980. The Trust is a reserve of up to 4 million metric tons of wheat, corn, sorghum and rice that can be used to help fulfill P.L. 480 food aid commitments to developing countries under two conditions: (1) to meet unanticipated emergency needs in developing countries, or (2) when U.S. domestic supplies are short. The Trust can also hold funds. Administration proposals to reduce food aid's reliance on surplus commodities and anticipated demand for emergency food aid have focused renewed attention on the Emerson Trust, which has been used four times in FY2002 and FY2003 to meet unanticipated food needs in Africa and Iraq. About 1.1 million metric tons of wheat remain in the Trust. As the Trust is drawn down, reimbursement and replenishment of the Trust for commodities released become important issues. This report will be updated as developments occur.

The Emerson Trust

The Africa Seeds of Hope Act of 1998 amended Title III of the Agricultural Act of 1980 by replacing the Food Security Commodity Reserve (FSCR) and its predecessor, the Food Security Wheat Reserve (FSWR), with the Bill Emerson Trust.¹ The purpose of the Trust is "solely to meet emergency humanitarian food needs in developing countries..."(Section 302, 7 U.S.C. 1736f-1). The legislation authorizes the Trust to hold up to 4 million metric tons of wheat, corn, sorghum and rice. Taking into account previously unreplenished releases from the Trust and 4 recent releases of commodities for use in Africa and Iraq, approximately 1.1 million metric tons of wheat remain in the Trust.

¹ The Trust is named in honor of the late Representative Bill Emerson of Missouri who served as ranking member of the House Select Committee on Hunger.

The Africa Seeds of Hope Act allows the Trust to hold funds as well as commodities, but no funds have ever been held.

Uses. The statute authorizes two uses for the Trust. First, the Secretary of Agriculture has authority to release up to 500,000 metric tons of eligible commodities for urgent humanitarian relief in the case of unanticipated food needs in developing countries and to release an additional 500,000 metric tons of eligible commodities that could have been, but were not, released in previous years. Second, the Secretary has authority to release commodities from the reserve when she determines that U.S. domestic supplies are so limited that commodities cannot be made available for regular programming in P.L. 480 foreign food aid programs.²

Exchange of Commodities. A commodity in the Trust may be exchanged for another U.S. commodity of equal value. In FY2002, wheat released from the Trust was sold and the proceeds used to purchase corn, vegetable oil, and dry beans for distribution in southern Africa.

Reimbursement. Commodities in the Emerson Trust are held as assets of the Commodity Credit Corporation (CCC).³ When commodities are released from the Trust, the CCC incurs a loss (the value of the assets it no longer holds.) The Trust is subsequently reimbursed for the commodities released with a transfer of funds from P.L. 480. The 1998 Act provides that the CCC be reimbursed by P.L. 480 for the commodity costs of a release for unanticipated needs based on the lesser of 1) the actual costs incurred or 2) the export market price as determined by the Secretary at the time of the release. Reimbursement to the CCC for the cost of ocean freight and other non-commodity costs occurs through the regular USDA appropriations process in which USDA requests budget authority to cover these costs in annual budget submissions. Reimbursement for a release of commodities for unanticipated needs can be made from past, current, or subsequent unobligated P.L. 480 funds. Commodities released for use in P.L. 480 programs when supplies are short are paid for from current fiscal year P.L. 480 funds.

Replenishment. Current law does not require replenishment of commodities released from the Trust, but does provide for ways to do it. The Secretary of Agriculture may acquire commodities through purchases from producers or in the market, if the Secretary determines that such purchases will not unduly disrupt the market. Funds for such purchases must be authorized in an appropriation act. The Secretary may also replenish the Trust by designation to the Trust of commodities already owned by the CCC.

² For a description of P.L. 480 foreign food aid programs, see *Agricultural Export and Food Aid Programs*, CRS Issue Brief IB98006, updated regularly.

³ The Commodity Credit Corporation is a federally chartered government corporation that finances federal farm price and income support programs and agricultural export and food aid programs.

History 1980-2003

Origins of the Trust. During the 1970's, Congress debated the creation of either a permanent government-held stock of grain or a fund to promote global food security. Advocates of a grain reserve argued that it would provide a buffer to the vagaries of agricultural production, ensuring grain availability, regardless of domestic supply conditions, in case of urgent need. They argued, in addition, that a reserve would serve as a surplus disposal mechanism in times of excess production, thereby strengthening farm prices. Supporters of a fund, on the other hand, contended that dollar resources would provide more flexibility in meeting urgent needs, and that factors other than food shortages, such as transportation or high commodity costs, were more likely to impede the delivery of food to needy people in emergency situations. A reserve of funds also would not have the potential price-depressing effect that a release of commodities could have.

Events overtook this debate in 1979 when the Soviet Union invaded Afghanistan, prompting the Carter Administration to embargo all U.S. grain shipments to the USSR. To prevent loss of revenue to exporters and adverse impacts on domestic commodity prices which might have resulted from the embargo, the CCC offered to purchase from U.S. suppliers grain previously committed to the Soviet Union. Through this process the CCC acquired 4 million metric tons of wheat, with which to establish a grain reserve. The Food Security Wheat Reserve Act of 1980 (Title III of P.L. 96-494) codified this move as a means of guaranteeing a supply of wheat in times of tight supplies or unanticipated need. The Act allowed wheat from the reserve to be used in the P.L. 480 program if wheat were unavailable through normal channels. The 1980 Act also authorized the release of up to 300,000 metric tons to meet urgent humanitarian need in foreign countries without consideration of domestic supply conditions or additional congressional appropriations.

The 1996 farm bill (P.L. 104-127) transformed the wheat reserve into the FSCR which was still a reserve of up to 4 million metric tons, but included corn, sorghum, and rice in the reserve along with wheat. The criteria which would trigger release of stocks from the FSCR were the same as for the predecessor wheat reserve—unanticipated urgent humanitarian need or short domestic supplies. The 1996 legislation increased from 300,000 tons to 500,000 tons the amount of commodities that could be released through the P.L. 480 Title II donations program each fiscal year to meet unanticipated needs without regard to the domestic supply situation. Further, the 1996 Act allowed the release of up to an additional 500,000 tons of eligible commodities that could have been released, but were not, in previous years for use under Title II of P.L. 480 to provide urgent humanitarian relief. Reimbursement requirements remained the same as in the earlier statute. While the 1980 Act required that the reserve be replenished 18 months after stocks had been released, the 1996 Act omitted a deadline by which the reserve must be replenished.

The 2002 farm bill (P.L. 107-171) contains the current legislative authority for the Emerson Trust as established in the 1998 Africa Seeds of Hope Act. P.L. 107-171 extends the Trust through FY2007.

Use of the Reserve: 1980-1996. Wheat from the reserve was used on six occasions from its establishment in 1980 through fiscal year 1996—three times to meet

P.L. 480 commitments when supplies were short and three times to meet unanticipated emergency needs. (See Table 1.) Although corn, sorghum, and rice are eligible commodities for the reserve (since 1996), only wheat has been held.

In 1984, President Reagan ordered the release of 300,000 tons of wheat to meet emergency food needs in Ethiopia and other Sub-Saharan African countries during the famine of the mid-1980's. In October 1988, 1.5 million tons were authorized to meet P.L. 480 programming requirements because the U.S. drought of 1988 had reduced commercial wheat supplies. Supply conditions continued to worsen through that fiscal year and, in September 1989, President Bush authorized the release of an additional 2 million metric tons of wheat to satisfy P.L. 480 program commitments. In May 1991, 300,000 tons of wheat from the reserve were made available to meet disaster relief needs expected to be large as a result of the Iraqi Kurdish refugee crisis and ongoing food emergencies in Sub-Saharan Africa. However, a total of 59,000 metric tons was programmed for use. On July 19, 1994, President Clinton authorized the release of up to 300,000 tons of wheat for emergency assistance to the Caucasus region of the former Soviet Union. On January 22, 1996, the President delegated to the Secretary of Agriculture authority to release up to 1.5 million tons of wheat from the reserve for use in the P.L. 480 program because of the limited availability of wheat in commercial markets. Of the amount authorized, a total of 1,280,779 tons was programmed for use in P.L.480.

Table 1. Using the FSWR: A Brief History

Fiscal Year	Amount Authorized for Release (metric tons)	Amount Programmed (metric tons)	Comments
1985	300,000	300,000	Release authorized December 1984 because of <i>unanticipated need</i> in Africa. Full amount replenished from CCC inventory November 1, 1985. CCC was reimbursed \$45 million in FY1987 using unobligated FY1987 P.L. 480 Title I and Title II funds from prior fiscal years. Reimbursement based on export price of wheat.
1989	1,500,000	1,500,000	Release authorized October 1988 because of <i>short domestic supplies</i> .
1990	2,000,000	900,000	Released authorized September 1989 because of <i>short domestic supplies</i> . Full replenishment from CCC inventory to 4 million metric tons as of March 1991.
1991	300,000	59,000	Release authorized May 1991 because of <i>unanticipated need</i> in Middle East, Asia, and Africa. The reserve has not been replenished. CCC was reimbursed \$6.9 million (as only 59,000 metric tons were released from the reserve) from FY1991 unobligated Title I funds.

Fiscal Year	Amount Authorized for Release (metric tons)	Amount Programmed (metric tons)	Comments
1994	300,000	200,000	Release authorized July 1994 because of <i>unanticipated need</i> in Caucasus region of FSU. The reserve has not been replenished. CCC was reimbursed \$28 million, consisting of \$15.4 million from prior years unobligated Title I credits, \$2.3 million in unobligated FY1995 Title I credit account, and \$10.3 million in prior year unobligated balances in Title I ocean freight differential account.
1996	1,500,000	1,280,779	Release authorized January 1996 because of <i>short domestic supplies</i> . The reserve has not been replenished. Around 2.5 million metric tons remain in the reserve.
2002	575,000	na	Releases authorized June and August 2002 because of <i>unanticipated need</i> in southern Africa.
2003	800,000	na	Releases authorized March 2003 because of unanticipated need in Horn of Africa and Iraq. Partial replenishment of \$69 million provided for the Trust in P.L. 108-11.
Source: U.S. Department of Agriculture, Office of Budget and Program Analysis			

The “Short Supply” Determination. Section 401 of P.L. 480 provides that the Secretary of Agriculture make a determination of the agricultural commodities and quantities available for use in food aid programs. The section further provides that no commodity shall be made available to P.L. 480 programs if so doing would reduce the domestic supply of the commodity below what is needed to meet domestic requirements and to provide adequate carryover.

As an example, USDA, in FY1996, estimated that 1.8 million metric tons of wheat and wheat products would be available for P.L. 480 from domestic supplies. However as the marketing year progressed, USDA revised its initial determination, based on its assessment that the size of the wheat crop would be lower than expected and that commercial export demand would be strong. In January of 1996, wheat prices rose to \$4.83 per bushel. Stocks for the 1996 wheat marketing year were estimated at 452 million bushels, with a stocks-to-use ratio of just under 20% percent. The USDA’s revised supply and demand assessment concluded that only 300,000 metric tons of wheat would be available from domestic supplies and led the Secretary to request presidential authority to release up to 1.5 million metric tons of wheat from the FSWR during FY1996 for P.L. 480 programming.

Use of the Trust: 2002 and 2003. The Secretary of Agriculture announced releases from the Trust of 275,000 tons of wheat on June 10, 2002 and 300,000 tons of wheat on August 28, 2002. The wheat from the reserve was exchanged for an equal value of corn, beans and vegetable oil for use in humanitarian relief in southern Africa. In FY2003, the Secretary has announced releases of 200,000 tons for emergency food needs in the Horn of Africa and 600,000 tons for emergency needs in Iraq. Of the 600,000 tons released for Iraq, 200,000 will be made immediately available and 400,000 tons will be made available as needed. A portion of the wheat released was to have been exchanged

for rice. However, concerns about the potential price-depressing effect of selling wheat and a provision of the wartime supplemental appropriations act prohibiting exchanges in FY2003 precluded such sales. With these announced releases, an estimated 1.1 million metric tons remain in the Trust.

Experience with Reimbursement and Replenishment. The first release from the Trust in FY1985 of 300,000 metric tons of wheat to meet unanticipated need was reimbursed with \$45 million of unobligated FY1987 P.L. 480 Title I and Title II appropriations. Reimbursement was based on the export price of wheat at the time the commodities were released, that is in FY1985. In FY1991, the reserve was used again to meet urgent humanitarian need and was reimbursed from Title I appropriations unobligated at the end of FY1991. The reserve was tapped again in FY1994 to meet unanticipated need. The CCC was reimbursed \$28 million, consisting of \$15.4 million in prior year unobligated balances in the Title I credit account, \$2.3 million in unobligated FY1995 funds in the Title I credit account, and \$10.3 million in prior year unobligated balances in the Title I ocean freight differential account. When commodities were released for reasons of short supply, current year P.L. 480 appropriations were used to reimburse the CCC for the wheat released.

Of the two ways to replenish the Trust after commodities have been released, i.e., purchase or designation of stocks already in CCC inventories, only the latter has been used until now. Following the first release of wheat from the reserve in FY1985, an equivalent quantity of wheat owned by the CCC was designated by the Secretary as replenishment for the wheat sent to Sub-Saharan Africa in the preceding year. Policy at this time was essentially to replace any drawdown of the reserve immediately by available CCC inventory. This was possible because CCC held large stocks of wheat, and with such a large inventory, USDA officials felt no need to identify wheat in the reserve separately from other CCC-owned stocks.

In 1988, however, CCC changed its policy regarding a separate designation of wheat for the FSWR and entered into long-term contracts with commercial warehousemen with the contracts specifically designating the wheat as part of the reserve. The long-term contracts saved annual storage costs because CCC was able to negotiate lower storage terms. In 1990, USDA announced that the CCC would designate all uncommitted CCC-owned wheat to the Food Security Wheat Reserve. At that time, 60 million bushels of wheat remained in the reserve because of releases for short supply in 1988 and 1989. CCC designated enough wheat for the reserve to restore it to its full 147 million bushels or 4 million metric ton maximum by March 1991. The reserve was not replenished for its drawdown in 1994. The 1996 release also was not replenished.

With respect to releases from the Trust in FY2002 and FY2003, the Emergency Wartime Supplemental Appropriations Act of 2003 (P.L. 108-11, H.R. 1559) provides \$69 million to acquire a quantity of commodities for use in administering the Trust. This appropriation will enable the first replenishment of the Trust since 1990 and the first time that Congress has appropriated funds for that purpose. Because of large needs for humanitarian food aid in Africa and Iraq in FY2003, reimbursement of the Trust is likely to be postponed to subsequent fiscal years.