

Using Food Aid to Support, Not Harm, Haitian Agriculture

BY MARK WEISBROT, JAKE JOHNSTON, AND REBECCA RAY *

"It may have been good for some of my farmers in Arkansas, but it has not worked. It was a mistake ... I had to live everyday with the consequences of the loss of capacity to produce a rice crop in Haiti to feed those people because of what I did."

--Former President Bill Clinton
 March 10, 2010¹

Background

Rice is one of the most important staple foods in Haiti, with per capita consumption of over 177 pounds per year. Beginning in the 1980s, the opening up to imported rice in Haiti wiped out thousands of Haitian rice farmers and brought about a sharp reduction in the percentage of nationally grown rice consumed by Haitians. At the same time, Haiti became the third largest market in the world for U.S. rice producers.² The U.S. rice crop has also been subsidized with hundreds of millions of taxpayer dollars annually. As shown in Table 1, these payments to U.S. farmers peaked at nearly \$1.8 billion in 2000.

Table 1 shows the percentage of Haiti's rice supply that is domestically produced each year, which declined from 47 percent in 1988 to just 15 percent in 2008. The table also shows an increase in the percentage of rice from external food aid, which rises significantly beginning in 2000 and varies widely due to natural disasters and other events that have impacted the country. In 2008, for example, when Haiti was hit by three consecutive hurricanes and one tropical storm, food aid rose to 13 percent of supply, more than triple the 4 percent of the previous year.

**Center for Economic and
 Policy Research**
 1611 Connecticut Ave, NW
 Suite 400
 Washington, DC 20009
 tel: 202-293-5380
 fax: 202-588-1356
 www.cepr.net

¹ Testimony before the Senate Foreign Relations Committee, cited in Katz 2010.

² US International Trade Commission (n.d).

* Mark Weisbrot is a co-director and Jake Johnston and Rebecca Ray are research assistants at the Center for Economic and Policy Research.

Food aid has also been based on imported rice, as shown in Table 1; so this, too, competes with domestic production. In 2008, for the first time, about 13 percent of food aid was from locally produced rice. But this was too small a percentage to alleviate the overall negative impact on national production. The January 12 earthquake destroyed much of the economy, and left many more Haitians dependent on food aid. The overwhelming majority of this food aid is imported rice, which is driving down the price of domestically produced rice, and threatening to repeat the destructive history of imported rice in Haiti. To avoid continued harm, and to actually help Haitians feed themselves, this policy needs to be drastically changed.

TABLE 1
Haiti: Local and Imported Rice Supply, 1990-2008

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	
	<i>In Percent</i>										
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Local	47	38	42	35	33	31	23	25	26	30	
Retail	47	38	42	35	33	31	23	25	25	30	
Food Aid	0	0	0	0	0	0	0	0	0	0	
Imported	53	62	58	65	67	69	77	75	74	70	
Retail	53	62	57	65	65	67	75	72	71	65	
Food Aid	0	0	1	0	2	2	2	3	3	6	
	<i>In Metric Tons</i>										
Total	149	182	185	206	226	213	274	238	281	322	
Local	70	70	78	72	75	66	63	60	72	96	
Retail	70	70	78	72	75	66	63	60	71	95	
Food Aid	0	0	0	0	0	0	0	0	1	1	
Imported	79	112	107	134	151	147	211	178	209	226	
Retail	79	112	106	134	147	143	207	171	200	208	
Food Aid	0	0	1	0	4	4	4	7	9	18	
	<i>In Millions of USD</i>										
Subsidies to US Rice Farmers	128	631	667	867	715	887	836	814	499	459	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
	<i>In Percent</i>										
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Local	20	19	22	17	14	18	16	12	16	14	15
Retail	19	19	22	17	14	18	15	12	16	14	13
Food Aid	0	0	0	0	0	0	0	0	0	0	2
Imported	80	81	78	83	86	82	84	88	84	86	85
Retail	77	77	69	82	79	78	80	85	79	82	74
Food Aid	4	4	9	1	7	4	4	3	5	4	11
	<i>In Metric Tons</i>										
Total	307	318	361	373	437	345	410	471	369	391	404
Local	60	60	78	65	62	63	64	58	58	55	60
Retail	60	60	78	65	62	63	64	58	58	55	54
Food Aid	0	0	0	0	0	0	0	0	0	0	6
Imported	247	258	283	308	375	282	346	413	311	336	344
Retail	235	245	250	305	345	269	328	399	292	320	300
Food Aid	12	13	33	3	30	13	18	14	19	16	44
	<i>In Millions of USD</i>										
Subsidies to US Rice Farmers	491	911	1,774	1,423	1,085	1,279	1,130	473	605	337	301

Sources: FAS (n.d.); FSA 2010, Table 35; WFP (n.d.).

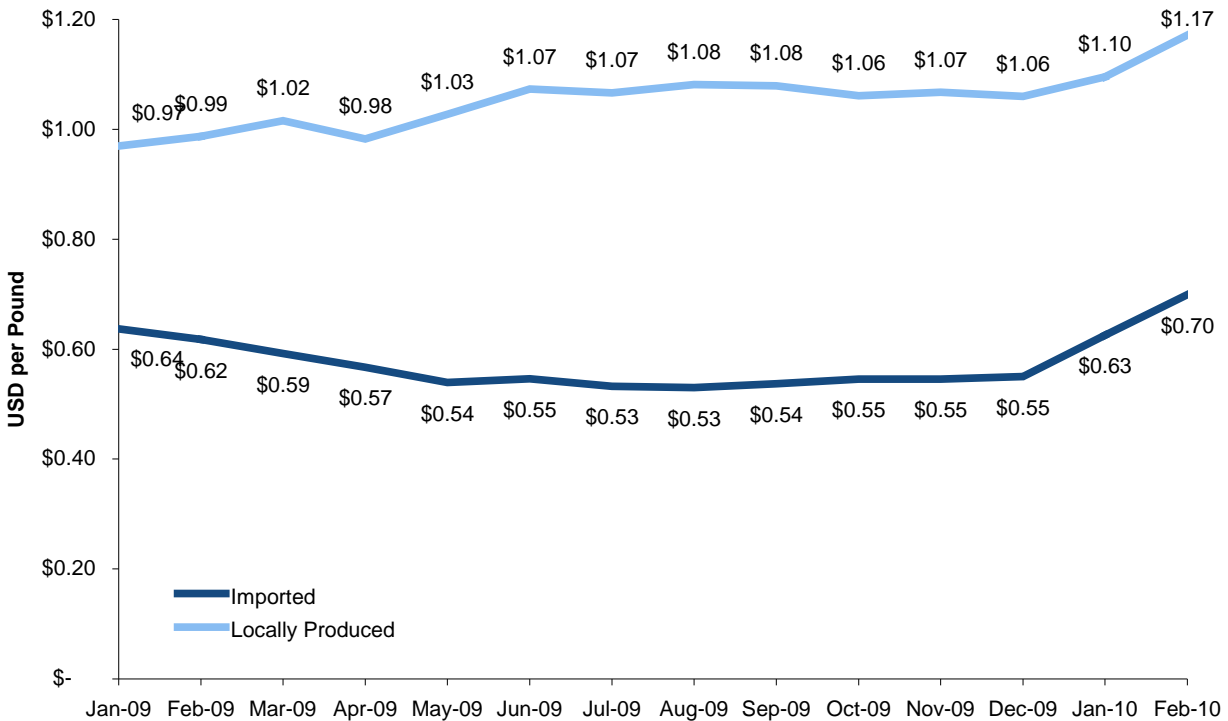
A Harm Reduction Strategy

Although there is much that can and should be done to support Haitian agriculture and the rebuilding of the economy, it is most important to immediately reduce the harm caused by imported, subsidized rice. This can be done by having the international community immediately commit to buying Haitian rice for the next two years. (There are two planting seasons and harvests per year.) Since food aid was 13 percent of the total rice supply last year, and Haitian rice production is about 15 percent of total supply, buying up all of Haiti’s rice should be close to the amount of food aid – for rice – that the international community would be expected to provide this year. In fact, national output might be even lower than in past years because of damage from the earthquake.

There would have to be a commitment to buying the rice at a price that is high enough to encourage local production. This price should be somewhat higher than an average of past years’ market prices, since these prices – driven down by imports – have not allowed for sustainable production. This can be seen from the continual decline of local production over the last 20 years, as shown in Table 1.

Figure 1 shows the difference in monthly price between Haitian and imported rice, at the retail level. Last year, Haitian rice sold for 50 to 100 percent more than imported rice. Since it is difficult to find reliable numbers for the producer prices, we assume there that the ratio is similar at the producer level. The world price for U.S. long-grain rice is approximately \$600 per metric ton. If the premium for Haitian rice is 50 percent, then it would sell for \$900 per metric ton; at a 100 percent premium, a metric ton of locally produced rice would sell for \$1,200.

FIGURE 1
Haiti: Domestic and Imported Rice Prices, 2009 – 2010



Sources: Coordination Nationale de la Sécurité Alimentaire 2010.

Based on the quantities in **Table 2**, the cost of purchasing all locally produced rice for food aid would be between \$54 million and \$72 million per year. We can add a margin of 15 percent, to account for the fact that past rice prices have been unsustainable, with national production declining; and to take into account any unanticipated costs in distribution. This would bring the total to between \$62.1 and \$82.8 million. International donors have committed \$5.3 billion for the next 18 months, or \$3.53 billion on an annual basis. The cost of buying Haiti's rice crop is therefore only 1.8 to 2.3 percent of international aid funds.

TABLE 2
Annual Cost Estimate, Purchasing Haitian Rice Crop

	Price Ratio of Local to Imported Rice:	
	1.5	2.0
World price for U.S. long-grain rice (USD/metric ton)	\$600	\$600
Price of Haitian rice (per metric ton (USD))	\$900	\$1,200
Annual production (metric tons)	60,000	60,000
Cost of Annual Haitian Rice Crop (USD)	\$54 million	\$72 million
With a 15% Premium*	\$62.1 million	\$82.8 million

Source: Authors' calculations, FAO 2010b, FAS (n.d.). *See text.

Of course there would be many details that would have to be worked out in order to make sure that these purchases at the producer level did not disrupt existing distribution networks. Fortunately, many of Haiti's farmers are organized into co-operatives, networks, and other organizations. International donors could, and should, work with these organizations and farmers to develop a plan for buying up the locally produced rice and distributing it as food aid.

Also, rice is just one crop, and this is just the beginning of the aid that will be needed to develop Haiti's agricultural sector. The United Nations' Food and Agricultural Organization (FAO) has estimated that Haiti will need \$73.2 million for the current planting season; only \$22.4 million has been raised and allocated so far.³ The international community should move quickly to provide this necessary aid, including funds for seed and fertilizer, repair of irrigation, tools and other agricultural inputs.

But the international community should commit immediately to purchasing Haiti's rice crop, so as not to repeat the errors of the past. Haitian farmers would then know that they can produce at a price that will cover their costs of production. The details of distribution can be worked out before the first harvest. Since there are funds allocated in relief plans to providing food aid during this time period by importing a similar amount of rice in any case, the additional cost of buying the Haitian rice crop is considerably less than the \$82.8 million, or 2.3 percent of committed funds, cited above. This is a very small price to pay in order to ensure that international aid actually helps Haiti feed itself, instead of hurting Haitian agriculture as in the past.

As President Clinton also noted last month, "Every time we spend a dollar in Haiti from now on we have to ask ourselves, 'Does this have a long-term return? Are we helping them become more self-sufficient? ... Are we serious about working ourselves out of a job?'"⁴

³ FAO 2010a, OCHA 2010.

⁴ Gross 2010.

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