

Regulatory Impact Analysis and Cost-Benefit Assessment for the Local and Regional Food Aid Procurement Program Final Rule

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Agency: USDA/FAS
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Authority: Sections 3207 of the Agricultural Act of 2014 (Public Law 113-79).

Summary, Benefits, Costs, and Need for Action

Summary

The Foreign Agricultural Service (FAS) of the United States Department of Agriculture (USDA) plans to implement a Local and Regional Food Aid Procurement Program (USDA LRP Program), authorized by the 2014 Farm Bill, with field-based projects that consist of local or regional procurement of commodities to fill nutritional gaps for targeted populations and respond to food availability gaps generated by unexpected emergencies. The program will focus primarily on development programs, although if a need arises emergency programs may be approved. FAS may give preference for funding to eligible entities that have, or are working toward, projects under the McGovern-Dole International Food for Education and Child Nutrition Program established under section 3107 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 1736o-1). Under the USDA LRP Program, grants will be provided to private voluntary organizations, cooperatives, and the World Food Program.

The USDA LRP Program will be focused on the international level. All procurements will occur in developing countries, and the majority of field-based projects will be located in Africa and will procure eligible commodities that are produced in Africa. As such the impacts of the program will not displace or disrupt the U.S. domestic market in the procurement or shipment of commodities for food assistance. The USDA LRP Program adds another mechanism to deliver food assistance to the federal programs currently providing assistance, including Title II of the Food for Peace Act (“P.L. 480”), administered by the U.S. Agency for International Development, and USDA’s Food for Progress Program and McGovern-Dole International Food for Education and Child Nutrition (“McGovern-Dole”) Program. Funding for the USDA LRP Program will be separate from, and in addition to, funding and commodities provided under USDA’s Food for Progress or McGovern-Dole Programs and thus will not displace food aid provided through those programs.

Benefits as seen during the pilot period of 2009-2012 and documented in an independent evaluation report¹, included: cost savings in transport, shipping, and handling; better

¹ “USDA Local and Regional Food Aid Procurement Pilot Project, Independent Evaluation Report,” Management Systems International, December 2012.

match between recipients' needs and program commodity availability; and time savings between the procurement and delivery of food, which is especially important in emergency situations. The pilot demonstrated a means to strengthen or build local supply chains. The independent evaluation report can be found at http://www.fas.usda.gov/sites/default/files/lrp_report_12-03-12_to_print.pdf.

Cost Savings in Transport, Shipping, and Handling: Since commodities purchased for the program do not need to be shipped across oceans, transport, shipping, and handling (TSH) costs are significantly lower in LRP programs than for in-kind food assistance. The pilot project evaluation also found, as was expected, that locally-procured food products also incurred less TSH than regionally-procured products.

Improved Commodity Match: LRP pilot recipients generally preferred locally and regionally sourced food over foods sourced elsewhere. They found it more familiar and suited to their tastes and food preparation procedures. Especially in programs where recipients are children, this may result in more of the food provided being consumed resulting in greater nutritional gains.

Time Savings in Delivery: Comparing delivery times for emergency food aid (programs for which prompt delivery of aid is crucial), the LRP pilot program yielded significantly faster delivery than in-kind food aid (sourced in the United States). The independent assessment of the LRP pilot programs² showed that the average time for food aid procurement and delivery was 130 days for in-kind deliveries, vs. 56 days for those under the LRP pilot.

Strengthening Local Supply Chains: Small scale producers and suppliers involved with the LRP pilot project realized many benefits: some reported increases in profitability, some were able to open bank accounts for the first time, and others improved their record-keeping systems as a result of the program. Small-scale producers and suppliers were encouraged to pool resources to achieve economies of scale.

Costs

The FY2016 Enacted budget includes \$5 million for the USDA LRP Program through the McGovern-Dole program. The \$5 million funding is expected to support 1-3 projects depending on the size and term length which focus on developing appropriate supply chains for the procurement of commodities from local producers.

Need for Action

It is necessary for LRP regulations to be put in place before solicitations for application to the LRP program can be made for FY2016. The changes to Section 3207 in the 2014 Farm Bill require USDA to issue new regulations in order to enact the local and regional procurement provisions. The regulations will clarify: program intent; application process; agreements process; payments; transport; record keeping and reporting; monitoring and evaluation; and noncompliance issues. The LRP regulations will be

² "USDA Local and Regional Food Aid Procurement Pilot Project, Independent Evaluation Report," Management Systems International, December 2012.

aligned with regulations for existing USDA food assistance programs, including Food for Progress Program and the McGovern-Dole International Food for Education and Child Nutrition Program.

Summary of Federal Budget Impacts

Estimated workload and costs to the government for local and regional procurement program: Workload and cost estimate are based on staffing requirements experienced under the 2009-2012 pilot program, and FAS staff year cost data.³

We estimate staffing requirements as follows:

- 2 full-time staff positions for program development and execution in Year 1 at \$285,000.
- 4 full-time staff positions for following year(s) at \$535,000.

Initial Regulatory Flexibility Analysis

The Regulatory Flexibility Act requires agencies to evaluate the potential effects of their proposed and final rules on small businesses, small organizations and small governmental jurisdictions. Section 603 of the Act requires agencies to prepare and make available for public comment an initial regulatory flexibility analysis that describes expected impacts of a proposed rule on small entities. The Regulatory Flexibility Act does not apply to this rule because FAS is not required by the APA or any other law to publish a notice of proposed rulemaking with respect to the subject matter of the rule.

Objectives of and Legal Basis for the Rule

Section 3207 of the Agricultural Action of 2014 (the 2014 Farm Bill) authorizes the Secretary to enter into grants or cooperative agreements with eligible organizations to implement field-based projects that consist of local or regional procurement of eligible commodities to fill nutritional gaps for targeted populations and responds to food availability gaps generated by unexpected emergencies.

The goals of the USDA LRP Program are two-fold: to support development activities aimed at strengthening the trade capacity of food-insecure developing countries, and to address the cause of chronic food insecurity. Lateral objectives of the USDA LRP Program are to support the consumption of locally produced food, and strengthen local value chains and all associated procurement activities. The USDA LRP Program can fund projects to procure supplementary foods for school meals provided under the McGovern-Dole International Food for Education and Child Nutrition Program.

The USDA LRP Program can provide support in communities around schools to work with producers, school authorities, and local municipalities to provide technical and management expertise to build reliable supply systems, as well as procure commodities. This will create an incentive for the communities surrounding schools to develop working relationships with local food producers, school authorities, and local municipalities. The outgrowth of the partnerships will be the facilitation and transfer of technical and

³ USDA/FAS Budget office estimates a cost of \$125,000 annually for a GS-12 position, a GS-13 would be \$135,000, and for a GS-14 \$150,000.

management expertise that develops reliable local food supply systems; as well as more sustained procurement of local commodities. Over the long term, improvements in supply chains, infrastructure, and economic conditions within recipient countries can eventually turn food aid recipients into trading partners.

Under the program, grants or cooperative agreements will be provided to private voluntary organizations, cooperatives, and the World Food Program to undertake activities to strengthen value chains and other procurement activities.

Potentially Affected Small Entities

FAS is unaware of any possible negative effects for U.S. small entities as a result of the USDA LRP Program. Small entities, that meet the eligibility as defined by Section 3207 of the Agricultural Action of 2014, are welcome to apply for funding under the program. The program is targeted towards enhancing the capacity of small entities overseas through the targeted recipients.

Projected Reporting, Recordkeeping, and Other Compliance Requirements

Under the Farm Bill, USDA is required to report annually to Congress on the use of USDA LRP Program funds, including on the impact of procurement and projects on: (i) local and regional agricultural producers; and (ii) markets and consumers, including low-income consumers; and (iii) implementation time frames and costs. FAS will produce these reports, along with other required annual reports, through its monitoring and evaluation staff. Information for the report will be collected from grantees, in a manner consistent with existing food assistance reporting mechanisms.

Duplication, Overlap, or Conflict with Existing Rules and Regulations

FAS has not identified any duplication, overlap, or conflict of the proposed rule with other Federal rules. This rule does compliment rules governing the McGovern-Dole Program.

Alternatives to minimize Significant Economic Impacts of the Rule

There are no significant alternatives to this rule that would accomplish the stated objectives.