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U.S. House of Representatives
Committee on Agriculture
Room 1301, Longworth House Office Building
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July 7, 2015

The Honorable Paul N. Jaenichen, Sr.
Administrator
U.S. Department of Transportation
U.S. Maritime Administration
West Building
1200 New Jersey Avenue, SE
Washington, DC 20590

Dear Administrator Jaenichen:

Pursuant to House Rule X, the House Agriculture Committee has "general oversight responsibilities" for all matters related to agriculture, including international food assistance authorized in Title II of the Food for Peace Act. As such, the Committee is conducting oversight related to a recent press report stating that certain government agencies are contemplating changes to the Maritime Security Program (MSP), which funds the U.S. Merchant Marine.¹ As part of this oversight, we are writing to request documents and information relating to negotiations to change the MSP program.

The U.S. provides food assistance through a variety of programs administered by the U.S. Department of Agriculture's Foreign Agricultural Service (FAS) and the U.S. Agency for International Development (USAID). Under current law, there is a delicate balance that benefits the maritime industry, the agricultural industry, and the Defense Department. For years, all stakeholders have benefitted from the current construct of MSP. Under the Food for Peace Act, implementing partnership U.S. grown commodities internationally for direct distribution or for sale, also referred to as monetization.² The law requires at least fifty percent of the U.S. agricultural commodities, financed by U.S. food aid programs, be shipped on privately-owned, U.S.-flag commercial vessels — some of which are part of MSP.³ This requirement ensures that even in times of peace, commercial vessels stay active. Should the need arise for these vessels to

¹ Chris Dupin, *Changes to Maritime Security Program Could Hurt Some Carriers*, AMERICAN SHIPPER (May 15, 2015) [hereinafter Dupin, May 15, 2015].

² Randy Schnepf, Congressional Research Service, *U.S. International Food Aid Programs: Background and Issues*, R41072, Apr. 1, 2015 [hereinafter CRS Report 2015].

³ *Id.* (citing 46 U.S.C. 55305).

transition to the transport of defense materiel such as tanks during a ramp up of our military activity abroad, the U.S. has a fleet — the U.S. Merchant Marines — to augment the Navy. National security dictates that we maintain a robust Merchant Marine fleet at the ready. Food aid programs ensure the fleet will not be scrapped in times of low military conflict globally.

According to a May 15, 2015, article in the *American Shipper*, USAID, the Maritime Administration, and other stake holders are engaged in negotiations related to “raising the MSP stipend to \$5 million from \$3.1 million because the current stipend is seen as not sufficient to offset the higher cost of operating a U.S.-flag, U.S.-crewed vessel.”⁴ Unfortunately, this proposal would have dire consequences for U.S. farmers and taxpayers, generally. According to the *American Shipper* article:

[T]he plan in the works would obtain the money for the increase from U.S. food aid programs in exchange for allowing the U.S. Agency for International Development to spend 45 percent of its food aid budget on local and regional purchases rather than buying food in the U.S.⁵

This appears to be another attempt on the part of USAID to shift from U.S. in-kind commodity-based food aid to cash-based assistance.

However, cash-based assistance is highly vulnerable to fraud, waste, and abuse. In fact, on March 26, 2015, the Government Accountability Office (GAO) issued a report finding numerous weaknesses in USAID’s financial oversight of cash-based international food assistance.⁶ GAO’s report referred to several instances in which USAID’s implementing partners investigated fraudulent behavior in the cash-based programs.⁷

In addition to exposing taxpayer dollars to fraud in a cash-based system, the proposal could have implications for the defense of our nation. Shippers quoted in the recent press report raised concerns about having to scrap vessels. One U.S.-flag vessel owner stated: “if such a bargain [the proposal] came to pass, it could reduce the amount of agriculture cargo that would be available to be shipped in U.S.-flag vessels and could lead to the ‘flagging out’ of vessels to foreign registries or even scrapping of some U.S.-flag ships.”⁸ If U.S.-flag vessels are scrapped, not only is our military readiness affected, but U.S. jobs are lost.⁹

In an effort to avoid these harms, the Committee is embarking on a methodical and sequential review of all international food assistance programs to determine an appropriate balance of cash-based assistance and in-kind food aid. As part of this ongoing initiative, on June

⁴ *Id.*

⁵ *Id.*

⁶ U.S. Gov’t Accountability Office (GAO), *International Cash-Based Food Assistance: USAID Has Developed Processes for Initial Project Approval but Should Strengthen Financial Oversight*, GAO-15-328, Mar. 26, 2015.

⁷ *Id.*

⁸ Dupin, May 15, 2015.

⁹ *Id.*

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24, 2015, the full Committee held a hearing entitled "Review of U.S. International Food Aid Programs." In preparation for drafting and negotiating the next farm bill, it is incumbent upon the House Agriculture Committee to have in-depth insight into all stakeholder roles, responsibilities, and future needs.

To assist the Committee in this oversight, we request that you produce the following documents, in electronic format, for the time period January 1, 2010 to the present:

- All documents and communications referring or relating to draft legislation or any other proposal that would amend or change the MSP.

The Committee on Agriculture is the principal authorizing committee for all matters related to agriculture and commodities in the U.S. House of Representatives and "shall have general oversight responsibilities" as set forth in House Rule X. An attachment to this letter provides additional information about responding to the Committee's request.

Please provide the requested documents and information as soon as possible, but no later than 5:00 p.m. on July 21, 2015. When producing documents to the Committee, please deliver production sets to the Majority Staff in Room 1301 of the Longworth House Office Building and the Minority Staff in Room 1010 of the Longworth House Office Building. The Committee prefers, if possible, to receive all documents in electronic format.

If you have any questions about this request, please contact Ashley Callen or Bart Fischer of the Committee Staff at 202-225-2171. Thank you for your attention to this matter.

Sincerely,



K. Michael Conaway
Chairman
House Committee on Agriculture



David Rouzer
Chairman
Subcommittee on Livestock and Foreign
Agriculture

Encl.

cc: The Honorable Collin C. Peterson, Ranking Minority Member

The Honorable Jim Costa, Ranking Minority Member, Subcommittee on Livestock
and Foreign Agriculture