

## FROM THE PRESIDENT



In a time in which real prosperity seems just around the corner for the vast majority of the world's population, it is heartbreaking that one-sixth of the world still can't count on get-

ting enough to eat. Too often, all that stands between them and starvation are humanitarian organizations, public and private, that stand ready to deliver food aid to remote corners of the planet.

Unfortunately, the ability of food aid agencies to head off catastrophe has become increasingly problematic. To get adequate supplies to the places they're needed most, agencies face major hurdles – among them, volatile commodity prices, governments whose generosity is subject to political whim and, of course, daunting logistics.

The Milken Institute is playing a part in keeping their humanitarian efforts on track by offering its expertise in financial markets. To that end, we gathered specialists from two dozen organizations, including private financial institutions (Newedge, Rabobank, Rothschild), food industry businesses (Monsanto, ADM), foundations (Gates, Rockefeller, Oxfam, CARE), government agencies (USDA, USAID) and international development institutions (Center for Global Development, Crown Agents, GlobalAgRisk, IFC, Root Capital, UN World Food Programme, Wall Street

Without Walls, World Bank) to ponder ways that financial engineering can make the food-access pipeline both more efficient and more nimble. Part of a broader series of what we call “financial innovations labs,” the one-day event was held last July in Washington, DC with the support of the Bill & Melinda Gates Foundation.

Lab participants divided the main challenges facing global food assistance organizations into three categories: funding, price and supply. Among their recommendations:

- Create “food assistance” bonds backed by donor commitments (and perhaps insured by third parties) that would provide cash for food purchases when resources would not otherwise be available.
- Use financial derivatives (yes, financial derivatives!) to manage the risks associated with food price volatility.
- Explore far greater use of public-sector grain reserves to complement private reserves, and consider the merits of offering tax credits for private donors.

You can read more about our analysis of the financial lab's findings on page 84. Or, you can download the entire report at no cost at [www.milkeninstitute.org](http://www.milkeninstitute.org).

We welcome your ideas and help in this mission.

A handwritten signature in black ink that reads "Michael Klowden". The signature is fluid and cursive.

Michael Klowden, President and CEO