Afghanistan Network On Food Security

# Afghanistan

Food Security Bulletin
November/December, 2004

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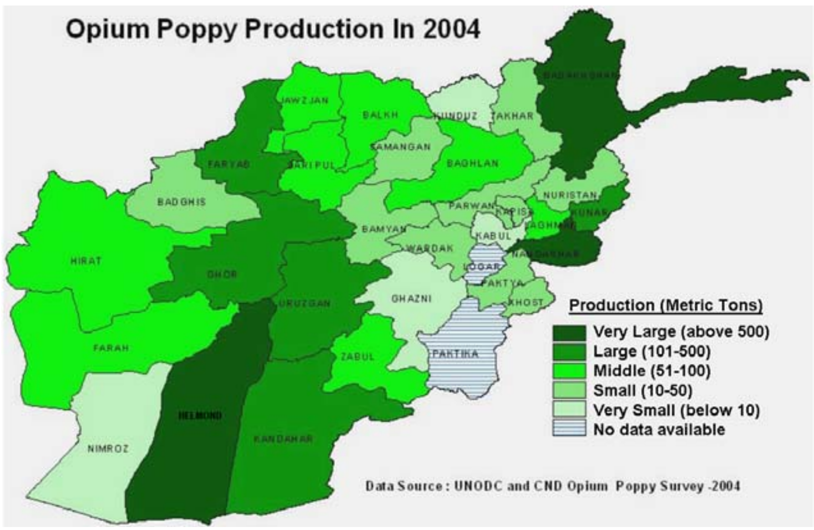
Emergency

## Opium Poppy Cultivation and Food Security Impacts

### Significant Expansion in Poppy Cultivation in 2004

There has been a significant expansion in the area under poppy cultivation in Afghanistan in 2004. According to the *Afghanistan Opium Survey 2004*, released in November by the United Nations Office on Drugs and Crime (UNODC) and the Government of Afghanistan Counter Narcotics Directorate (CND), the area under poppy cultivation this year increased from 80,000 to 131,000 hectares. Poppy cultivation has been reported in all provinces in 2004, showing a record annual increase of 64 percent over last year's cultivation, making Afghanistan the country with the world's largest area under illicit opium poppy cultivation. The main poppy production areas continue to be in southern Afghanistan (37 percent), reflecting large-scale cultivation in Helmand; followed by eastern Afghanistan (28 percent), reflecting large areas under cultivation in Nangarhar; and north-eastern Afghanistan (13 percent) where cultivation is mainly concentrated in Badakhshan. Northern Afghanistan accounts for 11 percent, western Afghanistan for 7 percent and central Afghanistan for 4 percent of the total area under poppy cultivation.




Opium production in 2004 is estimated at around 4,200 metric tons, 17 percent higher than last year's production (3,600 MT). However, despite the record increase in cultivation, this year's yield is the second highest on record - after 1999's production of 4,600 MT. This suggests a significant decline of 40 percent in farmers' expected yield, as compared to 2003. The main factors for this substantial decline in yields are poor weather conditions (low precipitation and in some areas cold weather conditions) and various plant stresses affecting opium gum production including diseases, insects and drought. Another source of stress on poppy plants was poor or non-existent crop rotation, as many farmers appeared to focus on maximizing profits from poppy cultivation without considering more sustainable agricultural practices. In many areas, particularly in very densely cultivated areas, poppy has been cultivated for several consecutive years on the same piece of land, and, as a result, the soil nutrients have become leached from the soil, contributing to lower yields.

As highlighted in UNODC's Farmers' Intention Survey, the main reasons for the increase in 2004, were related to the desire to reduce poverty (31 percent), very high opium prices in 2003 (30 percent), access to credit (18 percent), and luxury consumption supported by the proceeds of opium sales (7 percent). The main reasons why some farmers did not plant opium poppy in 2004 were that cultivation is against Islam (24 percent), that it is illegal (23 percent), the fear of eradication and resultant income losses (17 percent), and fear of fines and imprisonment (16 percent).


The Afghan Network on Food Security is an initiative of USAID's Famine Early Warning Systems Network (FEWS NET). The ANFS network partners include FEWS NET, Ministry of Rural Rehabilitation and Development (MRRD/Vulnerability Analysis Unit - EC funded), Ministry of Agriculture and Animal Husbandry (MAAH)/FAAHM, Ministry of Health (MOH), the UN World Food Programme (WFP) and the UN Food and Agriculture Organization (FAO).

**Impact on Food Security**

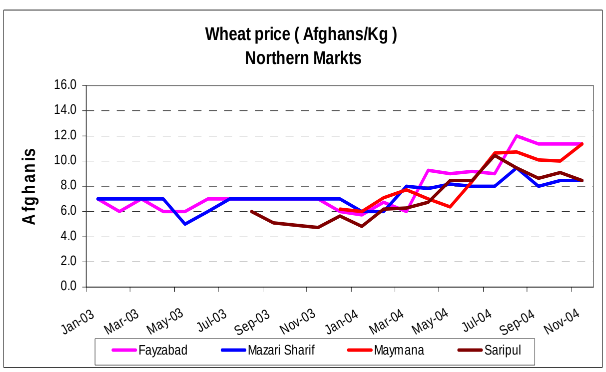
In 2004, the area under poppy cultivation increased by 64 percent, and 51,000 hectares of land were converted from cereal cultivation, contributing to a 21 percent decline in the area dedicated to cereal production (and a 23 percent decline in wheat cultivation), suggesting that the expansion of poppy cultivation is at the expense of cereal production. According to the UNODC survey report, "most of the opium poppy cultivation takes place on fertile irrigated land (92 percent of the total area in poppy in 2004). For comparison, wheat is grown in 55 percent of irrigated land and 45 percent of rain-fed land. (Data for 2004 showed that the wheat yield on irrigated land is, on average, 3.6 times higher than the wheat yield on rain-fed land). Thus, valuable and scarce irrigated agricultural land is increasingly being allocated to drug production purposes in Afghanistan". This is at the time when, according to the National Risk and Vulnerability Assessment (NRVA 2003, updated in 2004), the food insecure population has increased from 3.8 million in 2003 to 6.4 million in 2004. Therefore, the impact of poppy cultivation expansion is of great concern, particularly at the time when the domestic production covers only 66 percent of the country's cereal needs.

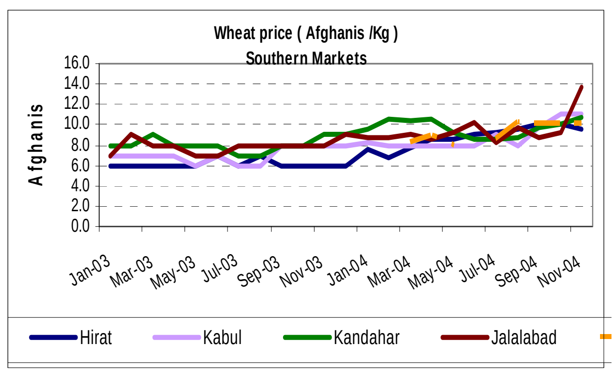
Considering the continuous unfavorable climatic conditions and the lack of off-farm income for farmers, the trend for expansion of poppy cultivation may continue and a further increase is expected next season, which will lead to a further decline in food production. Short-term projects and forced eradication may reduce poppy production, but would have limited and time bound impact. It is most likely that forced eradication would create a hostile attitude among the affected poor farmers and contribute to greater financial and social problems in future.

## Market Information

**Wheat Grain**

Wheat prices in the main Northern markets remained stable from September to November, except for Maymana market which showed an increase of 14 percent. The increase in Maymana was because of the poor harvest (due to low rainfall and plant diseases) in an area that typically relies on local production. Furthermore, although wheat flour imports from Uzbekistan are readily available, poor road infrastructure causes an additional transport surcharge to be added to wheat costs (and ultimately consumer prices) relative to wheat from other main markets in the area, which are well-connected by roads and are associated with lower costs.



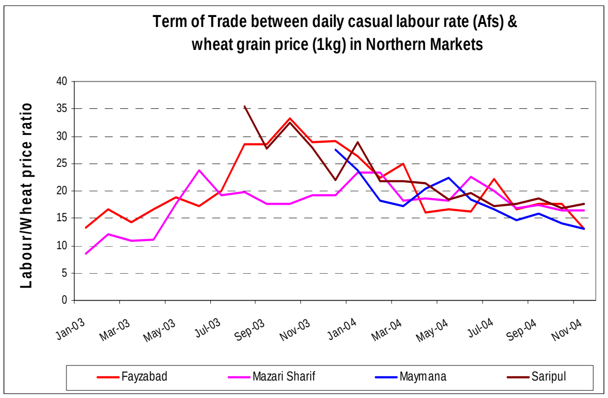

Local wheat and wheat flour is still available in most northern markets, but it is expected that imports from Uzbekistan will become the major source of available wheat in the next months. Since the winter has just started, there is still a need to monitor prices closely in order to see if imports from neighboring countries will be able to cover domestic demands without drastic price increases.

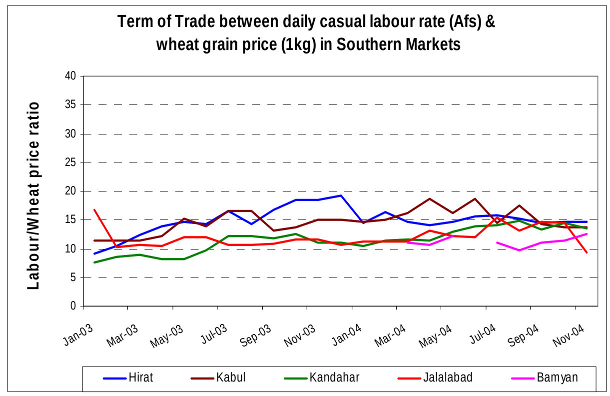
Wheat prices in Kandahar, Herat, and Kabul markets experienced only small shifts (in different directions) from September to November. In Jalalabad, however, there was a 49 percent increase in wheat prices from October to November, which is partly due to the high demand for wheat grain by producers, who are retaining larger portions of their harvest in the form of seed and planning to cultivate more wheat in the upcoming year because of the expected government crackdown on opium cultivation.

Compared to a year ago, average wheat prices in November for all markets increased by about 41 percent, but prices one year ago for wheat were extremely low relative to long-term figures. This increase in price of wheat since last year at this time was greater in northern markets because the bumper rain fed harvest pushed down prices in the main cereal production areas, which are located in the north. After an increase in August, the market price declined again and stabilized as traders were able to import wheat flour from abroad.

## Casual Labor

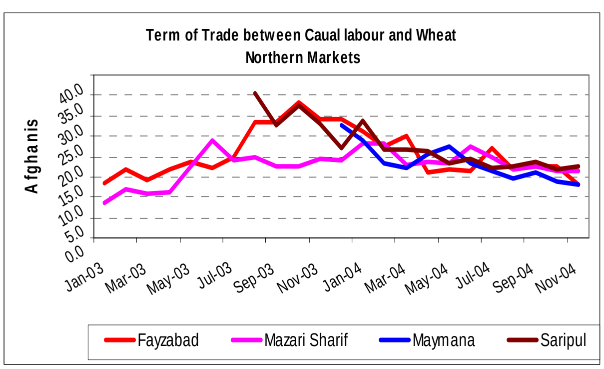
Casual labor wages per day showed an average decrease of 5 percent from October to November. The decline was similar in both northern and southern markets. Casual labor wage rates relative to November last year decreased on average by 13 percent in northern markets, while the southern markets witnessed a 29 percent increase compared to this time last year. The decrease in casual labor wage rates in the north was due to the slack demand in the agricultural sector compared to higher demand last year, associated with the bumper harvest, especially in Badakhshan. The increase in casual labor wage rate in the south is most likely the result of the increase in the cost of basic goods such as wheat, which often is used as the mode of payment for daily labor.

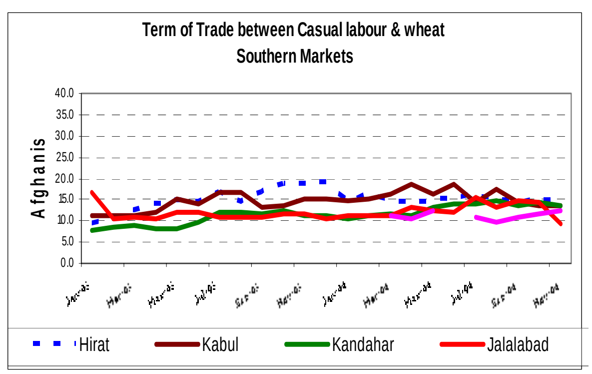



## Decline in the terms of trade between casual labor and wheat

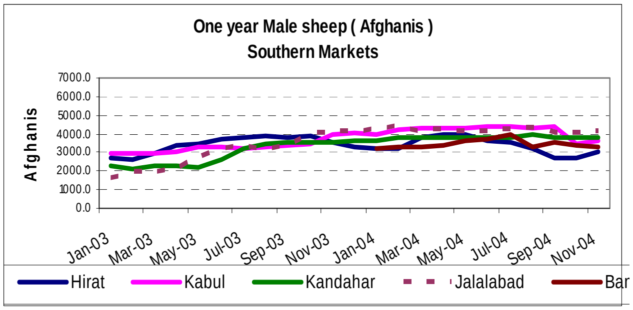
The terms of trade between casual labor and wheat are a proxy for the purchasing power of those households mainly reliant on casual labor. The casual labor and wheat terms of trade on all major markets have decreased an average of 9 percent from October to November and thus need to be monitored in the coming months. The decrease in the north was 7 percent while the southern markets showed a decrease of 11 percent. In the main markets across the country, the terms of trade between these two commodities in the last year (November 2003 and November 2004) decreased by 23 percent. The decline this year was particularly large in the north (37 percent) because good cereal and opium harvests last year had pushed down wheat prices to extremely low levels, while pushing up the demand (and wage rate) for labor.

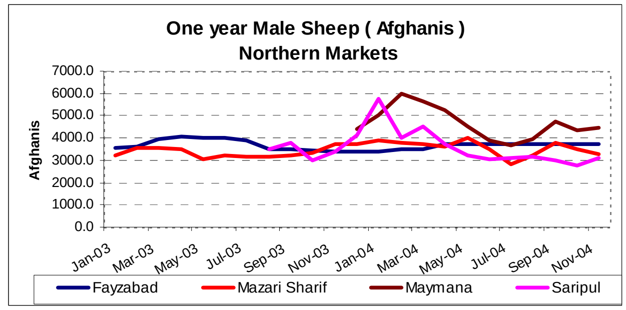



## Livestock

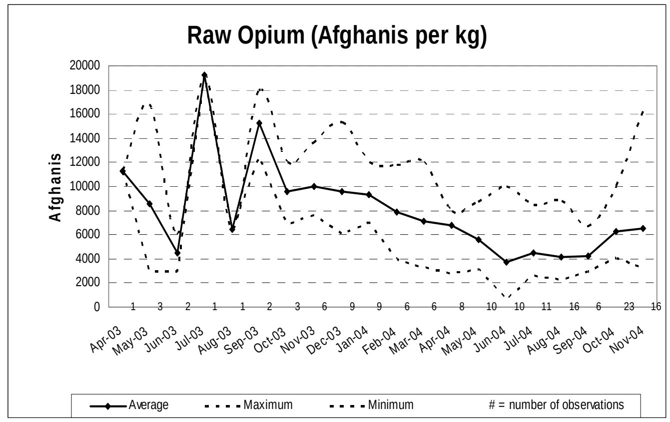
Male sheep price per head since November 2003 has decreased on average by around 2 percent across the country. This price decrease reflects the increase in supply around the country and also the poor grazing (hence poor animal quality) due to shortage of water in many parts of the country. Although, historically the price of livestock increases leading up to the winter months, the price of sheep per head during October to November only showed an average increase of 2 percent in all markets. If winter brings rain and snowfall, it is expected that the prices will continue to increase as is the usual seasonal trend. If not, it can be expected that prices will start to fall again.




## Raw opium

The decreasing trend in the opium price since last year was due to the large increase in total opium production in the country. However, the increase in the price of opium from September to November reflects how the news of a government crackdown on opium cultivation in the upcoming year is starting to drive up the prices of existing stocks. The graph below mainly represents market information from northern major rural markets. The highest price found in November was in Jalalabad at just over 16,000 Afghanis per kilogram.

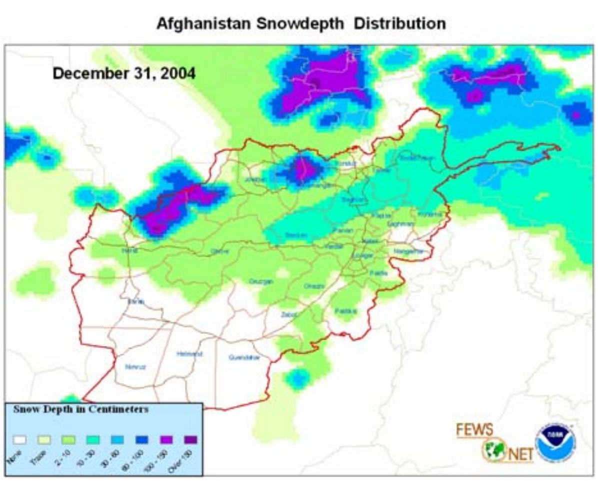


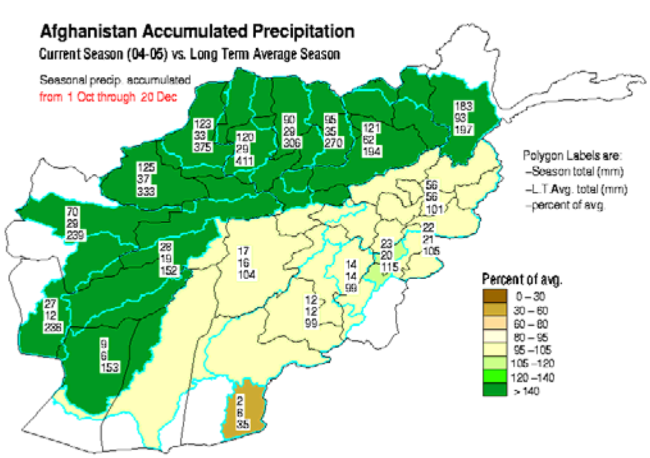

## Ban on shipment of wheat within Pakistan, and its impact on wheat prices in Afghanistan

Recently, the Government of Pakistan has imposed ban on the shipment of wheat from Punjab Province to the North-Western Frontier Province (Peshawar) and Balochistan Province (Quetta), bordering Afghanistan. Normally, large quantities of wheat flour are imported from these border provinces into Afghanistan. This is a domestic issue for Pakistan, but it has an indirect, yet significant, impact on wheat prices in cereal markets of Afghanistan, particularly in the eastern, southern and central provinces of Afghanistan, where prices are expected to increase further, deepening the decline in the terms of trade between casual labor wage rates and wheat prices. Currently, the wheat flour prices in southern and eastern urban markets are at almost exactly the same levels as they were the previous year at this time, suggesting that imports from Pakistan are keeping the price stable in these markets. An increase in price should be expected if Pakistan enforces the ban on domestic shipment or a ban on subsidized wheat exports to Afghanistan.

## Climate Outlook

The level and extent of precipitation from October through December looks promising. Particularly, participation during the last week of December was well distributed throughout the country, including the drought impacted provinces (see image below). However, the level and extent of precipitation during the last 3 months varies across the regions.

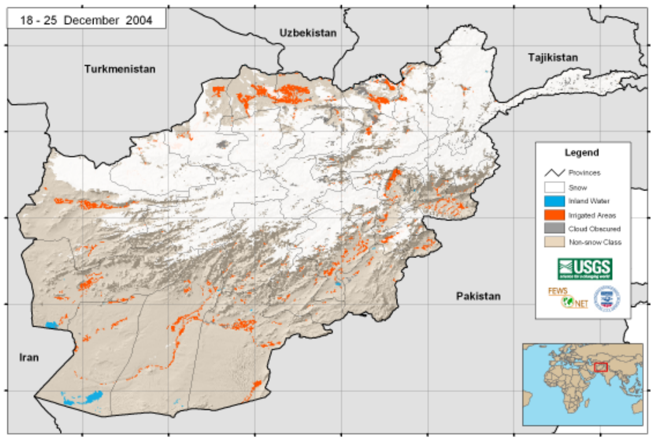


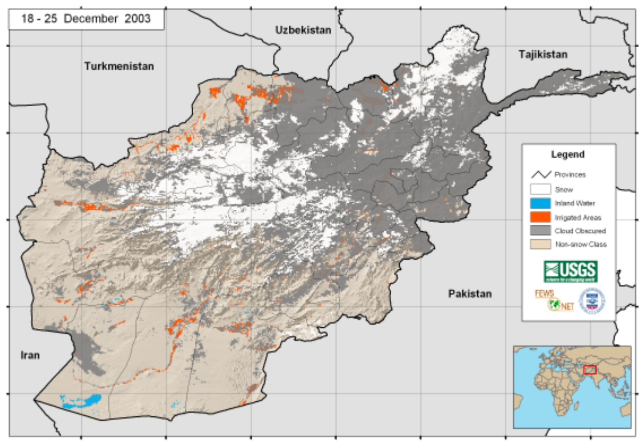



Compared to the long term average, precipitation is above normal in the northern half of the country and close to normal or below-normal in the lower half of the country. However, current rainfall has not been enough for areas impacted by the long-term drought that need more water to recharge the water reserves. It should also be noted that the comparison is for a period of time (October-December) that was better last year, but the sudden pause in precipitation dramatically changed the situation in the April-June period.

The status of snow-depth/snowpack in Afghanistan is good for this time of the year. Currently, the level of snow depth in some parts (higher elevation) of Badghis, Faryab, and Balkh provinces is about 150 cm, while Badakhshan, Baghlan, Takhar, Baghlan, and Bamyan provinces show around 30cm and Ghor, Heart, Urozgan, Ghazni, mountains of Laghman, Kapisa, Nangarhar, Paktya, Logar, Kabul, Wadak, Parwan, Paktika, Herat, and some parts of Zabul province show snowpack of around 10 cm.

Following the well distributed precipitation across the country during the last half of December, the snow cover extent in this period of time (3rd and 4th week of December) is better than the same period of time last year and the historical average for this period. It should be mentioned that the level of snowpack in the first months of winter 2003/04 was higher than average. However, a sudden pause in precipitation and higher-than-normal temperatures prevented further build up of snowpack and led to rapid and early snow melt in the months of April, May and June, causing severe shortages of water for drinking and irrigation. Therefore, the level and extent of precipitation and climate changes and their impact on availability of water for drinking and irrigation should be closely monitored. Any estimates or assumptions regarding the next harvest as well as the food security situation need to be made with caution.

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Current satellite-based climate and agricultural data on Afghanistan are available from NOAA and USGS at the following websites:

http://www.cpc.ncep.noaa.gov/products/fews/AFGHANISTAN/index.html
http://edcw2ks21.cr.usgs.gov/afghan/