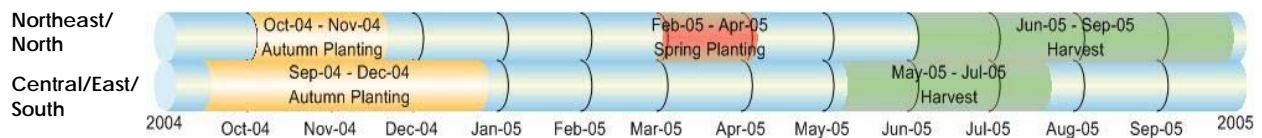


A Good Wheat Harvest Is Well Underway

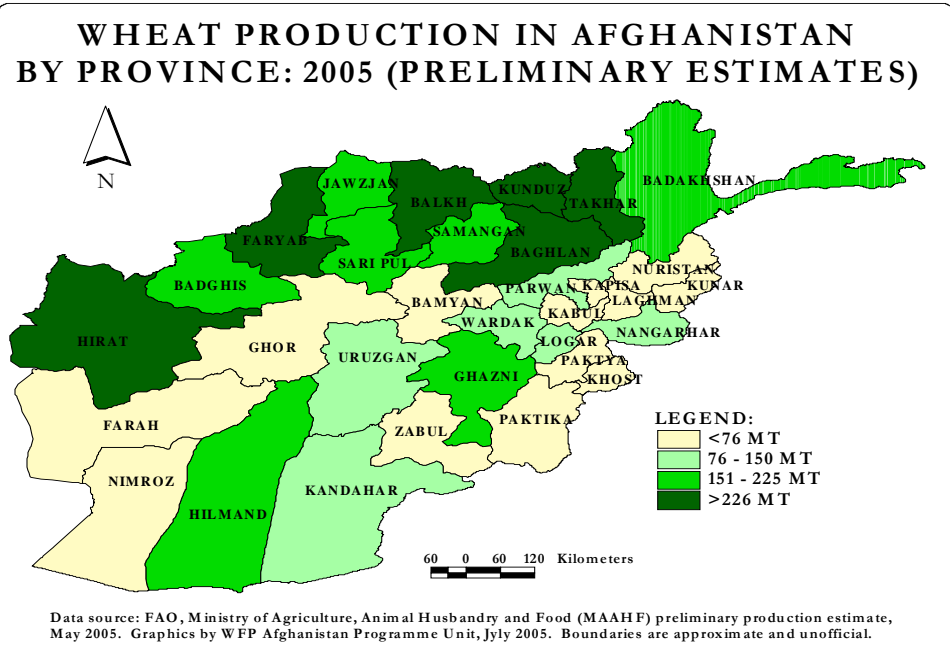
Winter 2004/05 precipitation supports a good wheat harvest

Conditions during the 2004/05 winter (November 2004-March 2005) were very favorable for wheat production. Above-normal and well-distributed precipitation and cold temperatures were conducive to snow accumulation and the development of significant snow pack – conditions that contribute to good wheat production. The harvest is nearing completion in the south, southwest and central regions. In the north and northeast, harvesting will continue into August and September.

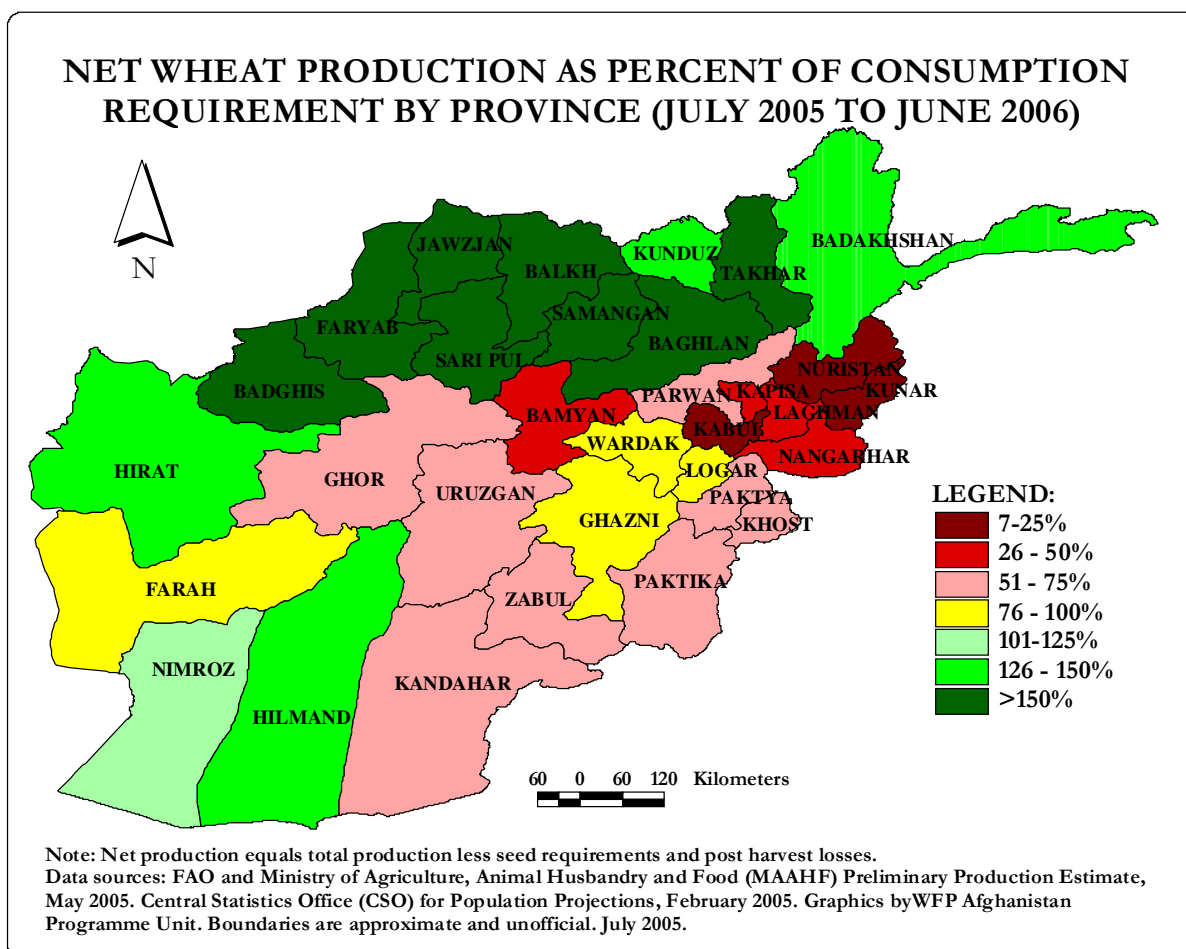


The Ministries of Rural Reconstruction and Development (MRRD) and Agriculture, Animal Husbandry and Food (MAAHF) have estimated the 2005 cereal and wheat harvests to be approximately 5.24 and 4.26 million metric tons, respectively. These estimates are based on assessments conducted early in the season and interagency task force discussions with the World Food Program (WFP), World Bank (WB) and others. The 2005 wheat harvest will be the second largest in nine years (2003 wheat production was 4.36 million metric tons and just over two percent larger), and nearly 86 percent greater than last year, despite just a six percent increase in area cultivated. Rainfed wheat production in most parts of the country (54 percent of the area planted and 37 percent of total output) is expected to perform particularly well this year with yields estimated at 1.24 MT/ha - higher than the good performance of 2003. Yields from irrigated fields are twice as high at 2.47 MT/ha, but will not reach 2003 levels.

Production this year will satisfy 90 percent of national wheat requirements (using standard FAO Food Balance Sheet calculations). Cereal import requirements between July 2005 and June 2006 are expected to be 442,000 MT, of which 339,000 MT are wheat, 101,000 MT are rice and 2,000 MT are maize. Food aid, equivalent to slightly more than 25 percent of the



import requirement, will be imported to target the most food insecure populations. As is typical for Afghanistan, wheat surpluses are found in the northern provinces. Faryab, Balkh and Takhar provinces are expected to have the largest surpluses this year. Nineteen of 32 provinces will experience wheat deficits, the largest occurring in the central, east and west regions.



Wheat production is expected to account for approximately 80 percent of all 2005 cereal production in Afghanistan. Relatively small quantities of rice, maize and barely are also grown. It is still early in the season (rice is not yet planted), but the MAAHF expects that these cereals will collectively contribute approximately 100,000 MT.

	Area ('000 has)	Yield (kg/ha)	Cereal Production ('000 tones)
Irrigated wheat	1,094	2,470	2,704
Rainfed wheat	1,255	1,240	1,561
All Wheat	2,349	1,820	4,265
Paddy	160	3,030	325
Maize	261	1,207	315
Barely	240	1,404	337
Overall	3,010		5,242

Source: MAAHF, April/May, 2005

Translating a good harvest into adequate consumption

Although at the national level, the supply of wheat alone is expected to cover 90 percent of the requirement, it is not possible to determine whether households will have sufficient access to these supplies. There are serious impediments to the movement of cereals from surplus to deficit regions within Afghanistan. Transportation is difficult and costly. In general, markets are not well integrated and deficit areas tend to rely on cross border flows of wheat. For example, the east and central regions rely on imported wheat from Pakistan because it is available and cheaper. Western provinces purchase wheat transhipped through Iran. For poorer households, the behavior of consumer prices for wheat over the year will determine their ability to meet their wheat consumption requirements. This includes some small-scale farmers who do not produce sufficient quantities of wheat to satisfy their needs and increasingly depend on market purchases as the year progresses.

Localized incidence of pest and disease compromise production

According to Locust and Sunn Pest Control Programme reports, cold winter temperatures retarded the development of both locust and sunn pest (*Dolycoris*). Nonetheless, by mid-March, reports confirmed the hatching of locusts, and farmers have been experiencing problems with locusts into May and June. The MAAHF, its Plant Protection and Quarantine Department (PPQD) field offices, FAO, local government agencies and communities through the continued implementation of a four-year emergency locust control campaign conducted spraying and other controls. Provinces most affected by locust this year include Balkh, Faryab, Baghlan, Kunduz, Samangan and Takhar - all wheat surplus areas located in the north and northeast regions. Still, crop losses were said to be limited.

Locust Control, Area (ha) by Province				
Province	March	April	May	Total
Baghlan	3,238	18,450	2,783	24,471
Balkh	6,795	28,990	11,618	47,403
Kunduz	4,979	19,470	1,652	26,101
Samangan	1,063	16,354	1,697	19,114
Total	15,175	83,264	17,750	117,089
Source: Locust and Sunn Pest Control Programme. <u>RAMP Situation Report</u> , No 6, May 13-June 7, 2005				

By mid-March sunn pests were reported to be migrating from their over-wintering sites. Provinces experiencing the first infestations include Faryab, Sari-Pul and Jozjan. Towards the end of May, a widespread sunn pest infestation in Hirat and Badghis provinces affected approximately 56,000 ha of agricultural land. The United Nations and partner

organizations responded by providing pesticides and other material to affected communities. MAAHF, PPQD, FAO and local government agencies managed to contain the problem through the provision of pesticides, equipment (e.g., sweep nets) and training to affected communities. The USAID-funded RAMP project, working collaboratively with PPQD, provided similar assistance in sunn pest control in Helmand Province.

Wet conditions throughout most of Afghanistan during the winter and early spring have resulted in a worse than normal problem that is likely to have a negative impact on production, although, the magnitude is not yet known. In addition, pests and diseases have caused localized damage to tree crops and other horticultural crops. Many farmers have had difficulties acquiring the appropriate inputs in a timely fashion due to the lack of supplies in the market or insufficient financial resources. Anecdotal reports from the National Risk and Vulnerability Assessment (NRVA) field work suggest that the lack of inputs may be a significant problem for perennial fruit growers.

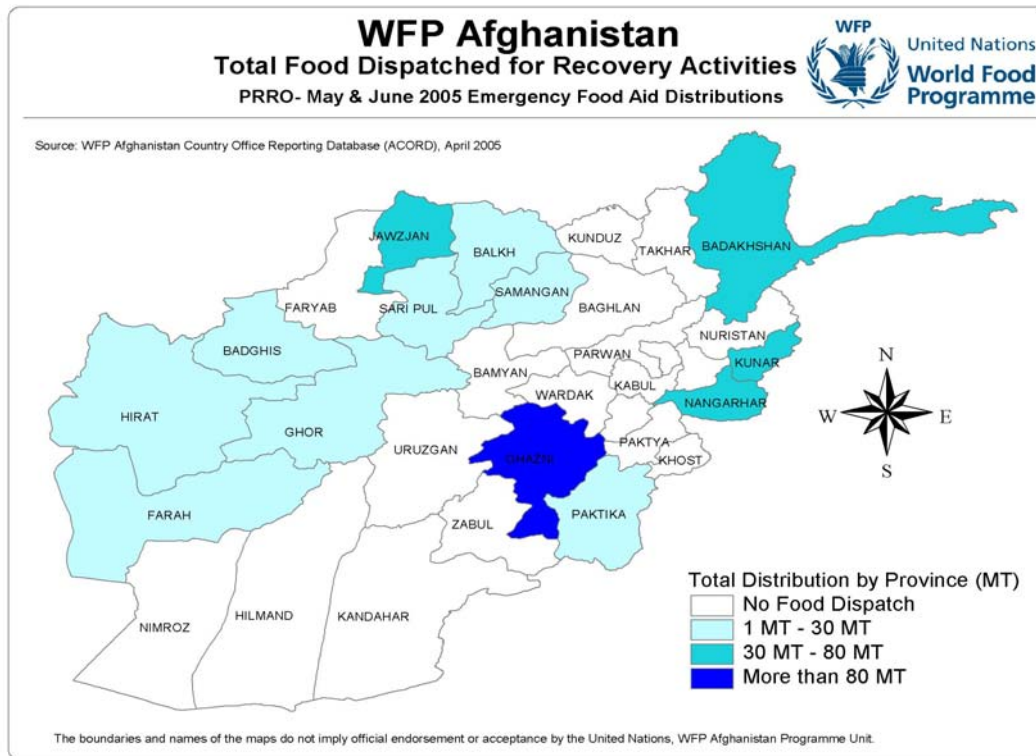
Continued Flooding Causes Significant Damage in Some Areas

As temperatures warmed up in mid-March, the extensive winter snow accumulation began to melt. The sheer volume of snow combined with, at times, above-normal temperatures caused significant flooding in the south, southwestern, west-central and central regions. Flooding continued in May and June, but the incidence shifted in a north and northeasterly direction, concentrating in the northern, northeastern, eastern and central regions. During June, floods, hailstorms and rain caused considerable damage. In Badakhshan Province, farmers lost over 27,000 fruit trees, more than 3,000 livestock and an estimated 3,290 ha of agricultural land. Floods cut Fayz Abad off from the surrounding areas, hampering ongoing humanitarian assistance activities in Badakhshan Province. In excess of 12,000 ha of crop land were affected in Baghlan and Jozjan provinces. Half of all agricultural land in Bamyan Province is said to have been affected by floods.

Food Aid Distribution

Government ministries, UN agencies, donors, international agencies and military forces continue to work collaboratively to monitor, assess and respond to the needs of flood victims. Organized in late winter, 2005 MRRD, the Joint Operation Center and the provincial counterpart institutions and affiliated task forces constitute the core emergency preparedness structure. According to a WFP Emergency Report, 71,000 families (425,000 beneficiaries) in 20 provinces have received 4,600 MT of food in response to flooding.

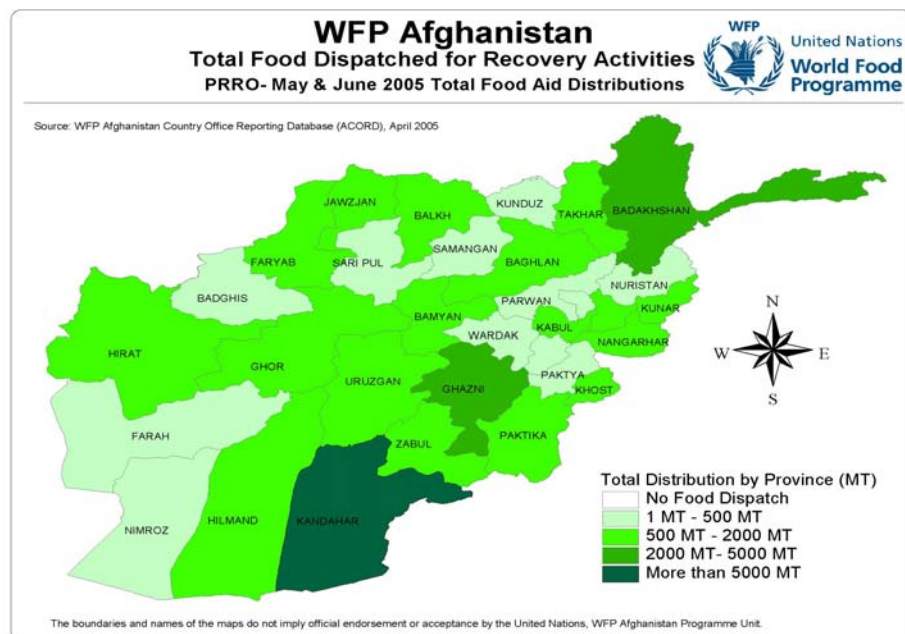
WFP Flood Related Food Distribution – May and June, 2005



Although the response has been adequate and timely, it is important to note that many Afghan households have been enduring significant hardship brought on by multiple years of drought and the subsequent depletion of their assets. While favorable winter conditions brought hope of an economic turn around for many rural Afghans across the country, for some those expectations have been shattered by flood and storm-related damages they have had to endure. And in some areas (Ghor Province) the winter was exceptionally severe and prolonged that some households had insufficient supplies to last through the entire season.

WFP Total Food Aid Distribution May and June, 2005

WFP has been providing food to food insecure households through its targeted Protracted Relief and Recovery Operations (PRRO). WFP is in the process of negotiating three-year program that will support populations vulnerable to food insecurity through food for work, food for education and vocational training, health and nutrition programs, livelihood protection and resettlement of IDPs and refugees from 2006 to 2008. PRRO activities to date have concentrated in

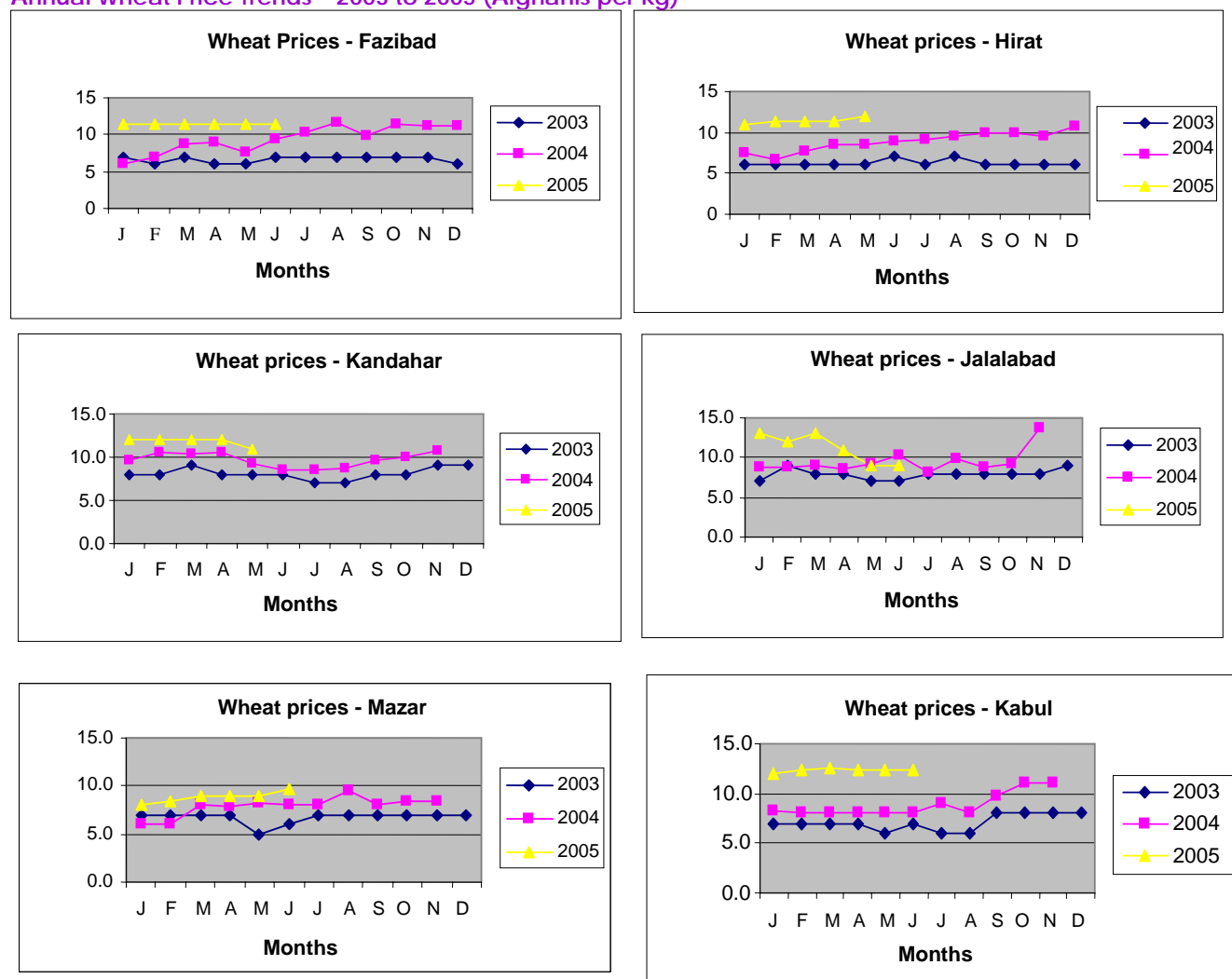


Kandahar, Ghazni and Badakhshan provinces. These activities will continue through this year's wheat marketing season.

Wheat Market Prices

The large anticipated wheat harvest for 2005 is a cause of concern among analysts and policy makers who project that wheat prices could fall precipitously and even slip below the RAMP project's estimated break even wheat price of \$110-\$140/MT or 5.5-7 afghanis/kg. It is suggested that under these circumstances, many farmers would incur losses, prefer not to grow wheat the following season and perhaps choose to produce alternative crops such as opium poppy. These concerns spawned discussions and tentative plans to initiate a price stabilization policy whereby the government would purchase and store wheat, applying upward pressure on prices. MAAHF - in conjunction with WFP, FAO, World Bank and the RAMP project - calculated that government would need to purchase approximately 200,000 MT in order to keep the price above breakeven. They noted that Afghanistan has adequate non-commercial storage to accommodate the policy action.

Annual Wheat Price Trends - 2003 to 2005 (Afghanis per kg)



Source: WFP

Despite these concerns and the successful harvest, wheat prices have remained elevated in nearly all markets throughout the country and above the price level at this time of year in 2004, a poor harvest year. Prices remain above the estimated breakeven price range in all markets, although in Jalalabad and Mazar-e-Sharif, prices are hovering just above this level. Prices are generally well above the price level for 2003 - ranging from 28 percent to 100 percent greater. The one exception is Jalalabad where prices dropped below the 2004 level in May, but remain above the 2003 (bumper

harvest) trend. One reason for the higher level of prices in some markets could be that the harvest is not yet complete. However, a look at the typical seasonal price trend over the year suggests that prices do not perfectly correspond to the size of the harvest, but are perhaps also reflective of purchasing and stocking behaviors of local and regional traders and market conditions within the broader region. Anecdotal observations suggest that the installation of new wheat milling facilities in Kunduz Province and Mazar-e-Sharif in Balkh Province could be pushing up the demand for wheat grain this year. It is still too early in the season to predict price behavior in the 2005 marketing season, but it appears unlikely that there will be a steep decline.

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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>
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