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REPORT ON A TRIP TO AFGHANISTAN  
Study of Marketing and Distribution  
Through Cooperatives

BY

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REPORT ON A TRIP TO AFGHANISTAN  
January 2-7, 1969

INTRODUCTION

At the request of AID/Afghanistan a visit was made to conduct a study of marketing and distribution through cooperatives.

First, attention was given to the distribution of fertilizer; second, to wheat marketing.

ACKNOWLEDGEMENTS

Officials of USAID/Afghanistan and the Kingdom of Afghanistan were most helpful during my recent visit. They provided valuable information through briefings, conferences, and field trips. The following people were especially helpful:

Russell McClure, Director AID Mission

William A. Wolffer, Deputy Director

Donald R. Yeaman, Deputy Director of Agriculture Division

George C. Diehl, Jr., Private Enterprise Advisor

Charles Jenkins, Agricultural Engineer (fertilizer distribution)

John Perry, Expert in marketing and processing of raisins

Dr. Abdul Wakil, Chairman Agriculture Committee Afghanistan Senate, formerly Director of Agriculture and Governor of the Halmand Valley Authority

## I. IMPRESSIONS AND SUGGESTIONS

### Private Organizations in Afghanistan

Nongovernmental organizations have been given little attention and little encouragement by the Kingdom of Afghanistan. Recently, the formation of private organizations has begun. After careful consideration, a Chamber of Commerce was organized and a Rotary Club was formed in Kabul.

The Karakul Institute is a good example of a private association. Although approaching the cooperative form, it is not composed so much of wool growers, as it is of merchants who buy karakul from the growers. The association of raisin merchants follows a similar pattern.

No true merchant class appears to exist in Afghanistan, and this is, of course, an impediment to the development of the private sector. The associations of merchants should be an excellent means whereby small businessmen may, together, improve their operations and realize greater profits.

National policy has given the prime responsibility in business enterprise to government institutions; thus discouraging private enterprise. Possibly this situation may be helpful in promoting the cooperative form of business since it is, to some, not proprietary in nature, yet it is an incipient form of private enterprise. The official attitude would no doubt encourage the development of this kind of business through the farmer committee approach.

## Expansion of the Farmer Committee System

The pilot project - involving the organization of farmer committees to carry out a fertilizer distribution program in the Jalalabad area - has met with reasonable success. Based on this experience, the organization of farmer committees should be carried out in other regions of Afghanistan.

It is suggested that similar programs could be established in such areas as:

1. Kunduz or Taluquan
2. Samangan
3. Mazar-I-Sharif
4. Maimaia
5. Quala-I-Naw
6. Kandahar
7. Herat

The above mentioned locations are suggested for the purpose of discussion. Others may be superior to certain ones included in the list. One city that would make every list is Herat.

## The Herat Region

This region on the western side of the country has been suggested as having great promise for developing not only a fertilizer distribution program, but also a grain marketing program. It is a wheat surplus area and, according to some, has the kind of people who would be most apt to make a well planned program effective.

Some have suggested that the second attempt at organization of farmer committees be at Herat, and after the fertilizer program has gotten under way, the farmers who are members should be encouraged to enter into wheat marketing, and

possibly build a storage structure.

This is in agreement with the United States Agriculture review team in its study of agricultural development in Afghanistan in 1967: "It is recommended that the government seek ways to turn over to the private sector, the merchandising and distribution of fertilizer, seed, machinery, pesticides, storage, and other such large inputs to agriculture."

"Encouragement and assistance should be given in the development of groups of farmers under some kind of a cooperative plan for joint marketing of produce and purchase of needed supplies . . . Leadership should be developed whereby these groups may eventually grow into full cooperatives."

## II. CONFERENCES AND FIELD TRIP

### Kabul - January 2nd-3rd

#### 1. The Farmer Committee

During this time, various members of the Mission were called on for the purpose of discussing the agricultural situation and the problems pertaining to agricultural marketing and farm supply distribution. The farmer committee program which has been initiated in Jalalabad was described. The term "committee" is applied rather than "association" because it better fits the meaning of the term as understood in Afghanistan. The organizational framework is built upon area, sections, and blocks. Although the prime purpose is to engage in collective bargaining, the goal is yet to be achieved.

## 2. Bondholders and Fertilizer

Farmers purchase their fertilizers through bondholders. Merchants who are licensed to secure their fertilizer need from the government's fertilizer warehouse in Jalalabad, transfer such fertilizer to their own stores and sell it to farmers. Each bondholder, approved by the government, carries a bond of 250,000 afs in value. Although the bond is supposedly secured by real property, such security has questionable value because land cannot be confiscated.

Normally, a period of two to three months passes and 50 signatures are gained before a bondholder is able to secure fertilizer from the government. In spite of such involved procedures, no audit is ever made after he gets the fertilizer. The only stipulation is that he must pay back to the government up to a level of 80% of his first inventory.

The difficulty of the program is that it is almost impossible to take an inventory of the stocks in the government warehouse and to check on the bondholder.

The bondholder's source of income, according to the system, is 50 puls per seer, which in dollars amounts to about \$1.00 a ton as a commission on fertilizer sold. It is presumed that "outside" income is realized in a number of possible ways; i.e., through inventory shortages and interest charged to farmers.

The farmer's alternative to securing fertilizer through the bondholder as a source is limited and practically nonexistent.

### 3. Grain Storage Programs

All of the grain storage in the country is now owned and operated by the government. Several silos have been constructed by the Russians; one at Kabul (50,000 tons) and a flour mill; another at Kataghan, also estimated to be 50,000 tons capacity, and the mill.

The Germans have under construction at Kandahar, a storage facility of about 50,000 tons and a flour mill. Also under consideration is another similar storage structure at Farah and a flour mill.

### 4. Banking

Two million dollars has been lost in monies invested in the industrial bank because of an insufficient legal foundation; land cannot be confiscated. An attempt to provide agricultural credit has met with little success.

### 5. The Afghanistan Karakul Institute

The investment bank, along with the Patani bank, and a group of shippers agreed to form the institute for the purpose of assembling, sorting, grading, and marketing of karakul; particularly in the London and New York markets. The institute receives  $1\frac{1}{2}$  afs per pelt shipped. Its 100 members, mostly shippers, include a few "koochies" -- nomad-type farmers -- as wool growers.

This is probably one of the best attempts at cooperative effort found in Afghanistan.

## Field Trip to Jalalabad - January 4th-5th

### 1. Wheat Demonstration

The program at Jalalabad began in 1966 with a wheat demonstration involving 80 plots in the province. The purpose was to compare and demonstrate the returns of super phosphate and urea used in the production of both local and Lermarjo (Mexican variety) wheat.

### 2. Farmer Committee

Thirteen farmer committees were established in the summer of 1966. Each committee consists of 13-15 leaders, chosen by the farmers themselves. Now there are 21 farmer committees.

During the sign-up among the committees in 1967, the subsidized fertilizer price to farmers was set at 30 afs per seer for urea, and 30 afs per seer for single super phosphate, or about \$56 per ton. Some farmers are beginning to use urea as top dressing for wheat. In 1968, they used 239 tons of urea and 175 tons DAP (diammonium phosphate) for this purpose.

There is a good possibility that this pilot project may develop into a grain marketing program.

### 3. The Government Fertilizer Godown

The building, measuring about 30x80 feet, has a capacity of about 1500 tons, but could store more than this if all space were adequately used. Although the building appeared to be well constructed, its use in storage of fertilizer was far from adequate. There was no stacking of fertilizer. The bags had been tossed in disarray, helter-skelter in nature,

and noone would be able to inventory the lot as a result.

#### 4. Wheat Prices and Marketing Charges

A farmer receives 31 afs per seer for his wheat (about \$2.75 per hundred weight) and pays trucking charges of 35¢ per hundred weight. In addition, he pays a marketing service charge "for such services" as heaping of wheat, an actual mounding of small quantities of wheat in the market place -- 200 afs (about \$2.80) per truck load.

#### Rodat Area Visit

About 30 miles south and east of Jalalabad is a sizeable irrigation project. At Rodat, there are about 3,000 farmers and a number of bondholders serving their fertilizer needs. The farms in the area range from 1 to 50 acres.

Volume and prices of fertilizers sold and wheat marketed at the project are of the following nature:

<u>Fertilizer/Wheat</u>	<u>Number of bags</u>	<u>Cost/Price</u>
DAP	120 (50 kilogram ea.)	50 afs + .5 afs commission per seer
UREA	200	35 afs + .5 afs commission per seer
Wheat	---	40 afs + .5 afs commission per seer

Not only food grains are produced in the area, but opium as well.

## The Russian Project: January 5

About 10 miles east of the irrigation project at Rodat is one operated by the Russians. This consists of about 75,000 acres of land under development. A canal between Jalalabad and the project moves water through a seven mile long tunnel and carries it 30 miles.

In the land reclamation project, stones are placed in long windrows and between the windrows top soil is spread. The soil is brought from the foot of the mountain some distance away. Winter wheat, their principal crop, is planted.

At the project, it is said, a model village has been built. On the site is found a dairy processing plant and modern apartment buildings for the project's farmers to occupy, eventually. Now the Russians live in them.

This project is about 15 miles from the Khyber Pass.

## Kabul - January 6th-7th

Fertilizer, wheat, and raisins were discussed and the local raisin plant was visited.

1. The Russian Fertilizer Plant at Mazar-I-Sharif  
Afghanistan has a considerable amount of natural gas and it is found along the Russian border.

The plant at Mazar-I-Sharif, under construction since 1964, has a capacity of 105,000 tons.

The general speculation is on what the policy may be concerning the distribution of the fertilizer produced in the plant. Will the private sector have any part in the distribution or will it be handled entirely by the government?

Possibly everyone would be happy with cooperative distribution.

Fertilizer distribution and marketing of wheat, fruit, and vegetables were discussed with Dr. Abdul Wakil at the office of the Deputy Director of Food and Agriculture, Donald Yeaman.

Dr. Wakil was of the opinion, as others in the country seem to be, that stepped up distribution of fertilizer is of first importance.

## 2. Raisin Production in Afghanistan

It is apparent that grape production is rapidly increasing and the raisin industry flourishing. Dr. Wakil was of the opinion that grape production and raisin processing will be of much greater significance to the country in the future because it has a good base upon which to grow. Raisin processing plants are located at the following cities:

3 Charikar	2 Mazar
3 Kabul	1 Kandahar

Another group of merchants has recently submitted an application to install a new plant and new raisin processing equipment.

Raisins are becoming good earners of foreign exchange. Although the Russian market has leveled off, the exports to London and New York are increasing. Penetration of the New York market by Afghanistan has caused the American raisin producers some concern.

3. The Kabul Raisin Cooperative Plant Visited - January 7  
John Perry, advisor to the raisin producers, arranged a

tour of a plant found on the outskirts of the city. The plant is cooperative in nature, comprising the merchants of raisins -- there are few producers. Some of these merchants also participate in the wool marketing program through the Karakul Institute.

When the plant was visited, raisins were being processed. The workers were mostly women. The product received from the producer has a great amount of stems and other foreign matter. Since producers have no bargaining power as to prices, it is presumed that the adulteration of the grapes is the only means the producers may use to deal with the merchants.

A new piece of equipment being set up for a new line, cost the group \$100,000. It was manufactured in Fresno, Calif. New storage structures for the member merchants are nearly completed. Each member of the association wishes to keep his raisins separate from others in the group. He stores his inventory in a stall which is under lock and key.

No doubt this plant is one of the most encouraging signs of economic development found in the Kingdom of Afghanistan.

Meeting with Director of Mission, Russell McClure - January 7

Discussed with the Director was the possibility of forming farmer committees, similar to the farmer association approach of accelerated rural development, assisted by AID in contract with ACDI, in northeast Thailand, as the best way to build a fertilizer distribution and wheat marketing program in Afghanistan.

ACDI could assist in this development by providing an expert in farm organization. This person would work with the fertilizer distribution advisor now attached to the Mission. His prime duties would be to organize farmers into committees (associations), form business enterprises, and assist in their operations.

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Mr. O. L. Mimms  
NESA/ID Room 310 SA-2  
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Washington, D.C. 20523

April 7, 1969

Dear Mr. Mimms:

Enclosed is a report on the consultative trip made by Mr. Everett J. Young to study marketing and distribution in Afghanistan.

Because of the importance of the type of programs he suggests, I think you will find the report of interest.

Sincerely,

*John M. Eklund*  
John M. Eklund  
President