

From: R.B. Scott, "Helmand Irrigation Rehabilitation Project, 1 Dec 98 - 31 March 99", MCI/INL, 98 pp. (w/photos), also in the Final Project Reports Section.

ANNEX III

1 FEB 99

TO: THE FILES

FROM: DICK SCOTT

SUBJECT: REVIVAL OF THE COTTON INDUSTRY IN HELMAND.

BACKGROUND: BEFORE THE WAR, COTTON WAS THE MAIN CASH CROP IN HELMAND PROVINCE WITH TWO COTTON GINS, IN LASHKAR GAH AND GIRISHK, AND A COTTON WEAVING MILL IN KANDAHAR THAT MADE USE OF A SIZABLE PORTION OF THE COTTON PRODUCED. THE REST WAS SOLD INTERNATIONALLY.

THE GINS HAD A CREDIT PROGRAM, THROUGH A SEPARATE ORGANIZATION, FOR THE FARMERS FOR THE PROCUREMENT OF FERTILIZER TO BE REPAID AT HARVEST TIME. THE PRICE PAID TO THE FARMER FOR COTTON WAS GOOD, AND THE FARMERS SHARED IN A PORTION OF THE BY-PRODUCTS FROM THEIR COTTON OF COOKING OIL, SOAP, SEED CAKE, ETC. THE SECOND COTTON GIN IN GIRISHK WAS BUILT IN THE LATE 1970'S TO ACCOMMODATE THE INCREASE IN REGIONAL COTTON PRODUCTION THAT WAS WORKING ITS WAY UP THE HELMAND RIVER.

THE ELEMENTS OF THE AG SYSTEM FOR COTTON PRODUCTION IN HELMAND ENDED OR WERE GREATLY REDUCED WITH THE WAR, ALTHOUGH SOME FARMERS HAVE CONTINUED TO PRODUCE COTTON, THE COTTON GIN IN LASHKAR GAH HAS CONTINUED TO PURCHASE COTTON FROM THE FARMERS AND TO PROCESS IT BUT AT A MUCH REDUCED RATE WHEN THE POWER LINE WAS TAKEN OUT AND THE GIN BECAME LESS EFFICIENT WITH THE BREAKDOWN OF EQUIPMENT AND THE LACK OF SPARE PARTS AND OPERATIONAL FUNDS.

THE GIRISHK COTTON GIN STOPPED PRODUCTION IN THE EARLY 1980'S AS DID THE KANDAHAR WEAVING MILL. THE CREDIT PROGRAM WAS ONE OF THE FIRST ELEMENTS TO GO WITH THE DEPARTURE OF KEY PERSONNEL FROM THE GOVERNMENT AND THE ECONOMIC SYSTEMS OF THE COUNTRY BEGAN TO BREAKDOWN.

OPIUM POPPY HAS BECOME THE MAJOR CASH CROP IN THE REGION AND CONTINUES TO RAPIDLY INCREASE IN PRODUCTION. COTTON HAS CONTINUED TO BE PRODUCED AND PROCESSED IN THE REGION AT AN INCREASING RATE SINCE THE MID-1990'S BUT FACES MANY OBSTACLES

IN COMPETITION WITH OPIUM POPPY. THERE IS CONSIDERABLE DISSATISFACTION WITH THE PRICE PAID TO THE FARMERS FOR COTTON, PAYMENT FOR COTTON IS DELAYED FOR EXTENDED PERIODS, AND THERE IS NO CREDIT PROGRAM. IT APPEARS THAT THE HEAD OF THE COTTON GIN HAS BEEN REPLACED THIS MONTH PERHAPS BECAUSE OF CLEAR FARMER DISSATISFACTION WITH THE GIN'S DELAYED PAYMENTS. THIS PROBLEM WILL REDUCE COTTON PLANTING FOR THIS COMING SEASON.

THE PRICE PAID FOR OPIUM, ON THE OTHER HAND, HAS DOUBLED OVER THE PAST YEAR, IN LINE WITH THE DEVALUATION OF THE AFGHANI, AND IT IS POSSIBLE FOR THE FARMERS TO BE PAID, AT A REDUCED RATE, IN ADVANCE FOR A CROP AT THE TIME OF PLANTING...A FORM OF CREDIT.

BOTH THE TALIBAN GOVERNMENT AND THE FARMERS OF CENTRAL HELMAND HAVE STATED THAT OPIUM POPPY AS A CROP CAN BE ELIMINATED IF THE IRRIGATION SYSTEM CAN BE BROUGHT BACK TO PRE-WAR EFFICIENCY, WHICH AMONG OTHER THINGS WOULD ALLOW THEM TO GROW HOT SEASON CASH CROPS LIKE COTTON. THERE CAN BE LITTLE HOPE FOR OPIUM POPPY CROP REDUCTION WITHOUT A CROP THAT WILL PROVIDE A SUBSTANTIAL INCOME AND CLEAR SUPPORT FROM THE TALIBAN FOR ITS ELIMINATION.

THE OVERALL STRATEGY TO BRING COTTON BACK AS THE REGION'S MAJOR CASH CROP AND AT THE SAME TIME REDUCE AND ELIMINATE OPIUM POPPY PRODUCTION INCLUDE THE FOLLOWING:

1. A CREDIT PROGRAM FOR FERTILIZER MUST BE ESTABLISHED AT THE COTTON GIN THAT WILL PROVIDE FARMERS WITH FERTILIZER AT THE TIME THEY PICK UP THE COTTON SEED FOR PLANTING IN THE SPRING. AS IN THE PAST, THE CREDIT WOULD BE EXTENDED TO SMALL GROUPS OF FARMERS, FIVE TO TEN, TO INSURE THE SOCIAL PRESSURES NECESSARY FOR INDIVIDUALS TO MAKE THE RE-PAYMENTS. A DEFAULT BY ONE FARMER IN THE GROUP SUSPENDS THE GROUP FROM FURTHER CREDIT. EACH GROUP WOULD RECEIVE A DOCUMENT FROM THE LOCAL ADMINISTRATIVE OFFICER CERTIFYING THAT ITS MEMBERS WERE IN FACT LOCAL RESIDENTS WITH LAND. THIS CERTIFICATION FROM THE GOVERNMENT REPRESENTATIVE (TALIBAN) WOULD GO FAR TO INSURE THAT THE CREDITED AMOUNTS ARE RE-PAID.

THE LASHKAR GAH COTTON GIN AND THE GOVERNMENT WOULD HAVE TO AGREE TO A STRONG ELEMENT OF TECHNICAL ASSISTANCE TO ACCOMPANY THIS PROGRAM. WHILE SOME SUPPORT STAFF MAY STILL BE FOUND LOCALLY, THE ADMINISTRATIVE, DECISION-MAKING STAFF SHOULD BE FROM OUTSIDE, AND IN COMPLETE CONTROL OF THE PROGRAM.

2. AN IMPROVED SEED, CERTIFIED TO BE FREE OF DISEASE AND INSECTS, WOULD BE IMPORTED FROM A RELIABLE SOURCE, IN MUCH THE SAME WAY IT WAS IN 1992 BY FAO/UNDP, I AM TOLD. SEEDS SHOULD NOT BE IMPORTED FROM EITHER PAKISTAN OR ANY OF THE OLD SOVIET REPUBLICS WHERE CONTAMINATED SEED IS APPARENTLY COMMON.

THE IMPORTED VARIETY SHOULD BE A FINE, LONG STAPLE VARIETY WITH A SHORT GROWING SEASON AND FEW SEEDS. ACALA 1517-75 IS SAID TO HAVE THESE CHARACTERISTICS AND IS AVAILABLE FROM THE U.S.A., UNCONTAMINATED. A LARGE QUANTITY WOULD NOT BE REQUIRED; 5 TO 6 METRIC TONS TO START. CONTROLS WOULD BE INITIATED TO INSURE THAT THE SEED WOULD BE PLACED IN ONE LOCATION TO INSURE THAT IT IS NOT CONTAMINATED BY THE LOCAL VARIETIES.

3. THE TECHNICAL ASSISTANCE TEAM NOTED ABOVE WOULD BE RESPONSIBLE FOR SETTING THE PRICE TO BE PAID TO THE FARMERS FOR THE COTTON TO BE PRODUCED. THIS TECHNICAL ASSISTANCE WOULD ALSO BE INSTRUMENTAL IN THE SALE OF THE PROCESSED COTTON. THE PARTICIPATING FARMERS WOULD HAVE TO RECEIVE ASSURANCE THAT THEY WOULD RECEIVE PAYMENT FOR THEIR COTTON AT THE TIME OF DELIVERY TO THE GIN, AND, PERHAPS, IN A FOREIGN CURRENCY. THE AFGHANI DOES NOT HOLD ITS VALUE FOR LONG.
4. THE IMPORTED SEED WOULD BE ACCOMPANIED BY EXTENSIVE AG EXTENSION SERVICES AT THE FARM LEVEL TO INSURE THAT THE MOST EFFECTIVE FARMING PRACTICES ARE FOLLOWED. FOR EXAMPLE ALL PARTICIPATING FARMERS WOULD HAVE TO AGREE TO ROW PLANT THEIR CROP ACCORDING TO SPECIFIED INSTRUCTIONS. THIS WOULD REQUIRE CONSIDERABLE FIELD ACTIVITIES OF AG EXTENSION WITH THE FARMERS IN PREPARATION FOR THE SELECTION PROCESS FOR THE AREA TO RECEIVE THE SEED.
5. IN SUPPORT OF THIS ACTIVITY, TECHNICAL ASSISTANCE AND FUNDING WOULD NEED TO BE MADE AVAILABLE TO REFURBISH THE LASHKAR GAH COTTON GIN THAT HAS NOT SEEN EXTENSIVE MAINTENANCE FOR SOME 18 YEARS. THE GIN DOES NOT APPROACH DESIGNED CAPACITY OR EFFICIENCY. QUALITY PROCESSING OF COTTON IS NEEDED TO RECEIVE TOP DOLLAR ON THE INTERNATIONAL COTTON MARKET. THE COMBINATION OF A NEW VARIETY, PROPERLY FARMED, HARVESTED (BY HAND) AND PROCESSED WOULD INSURE A TOP QUALITY PRODUCT.

AT THE SAME TIME, THOUGHT WOULD BE GIVEN TO THE FUTURE REFURBISHMENT OF THE GIN IN GIRISHK. THIS WORK IN GIRISHK WOULD BE TO PLAN FOR THE FUTURE AS THE EXPECTED COTTON PRODUCTION WOULD INCREASE OVER TIME AND PLANTING WOULD

BEGIN TO MOVE FURTHER UP THE HELMAND VALLEY AS IT DID IN THE PAST. PRESENTLY VIRTUALLY ALL COTTON IS PRODUCED IN CENTRAL HELMAND, WHERE IT WAS INTRODUCED IN THE 1960'S.

6. CONSIDERATION/STUDY WOULD BE GIVEN TO TRANSFORMING THE GEE (COOKING OIL) PLANT TO PROCESS SUNFLOWER SEED OIL, A CASH CROP NOT PRESENTLY IN HELMAND. IT IS A CROP, HOWEVER, THAT WAS WIDELY INTRODUCED IN TURKEY IN THE 1970'S AS A REPLACEMENT CASH CROP FOR THE LEGAL OPIUM POPPY CROP BEING PHASED OUT IN SOME DISTRICTS AND PROVINCES. IT IS NOT A CROP THAT DEMANDS ANY NEW OR DEMANDING SKILLS IN FARMING OR HARVESTING.
7. SUPPORT MUST BE SOUGHT FOR THE REFURBISHMENT OF THE COTTON SPINNING AND WEAVING FACTORY IN KANDAHAR AS A RENEWED MARKET FOR HELMAND COTTON. THIS FACTORY PRODUCED GOOD QUALITY TEXTILES BEFORE THE WAR THAT FOUND A READY LOCAL MARKET. IT WOULD REDUCE THE NEED FOR SOME PRESENT IMPORTED FABRICS AND GIVE A BOOST TO THE LOCAL ECONOMY.

THIS IS A ROUGH OUTLINE OF AT LEAST SOME OF THE MAJOR ELEMENTS NEEDED IN THE PROCESS OF RE-ESTABLISHING THE COTTON INDUSTRY IN SOUTHERN AFGHANISTAN. IN ADDITION TO HELPING WITH THE RECONSTRUCTION OF AN IMPORTANT ELEMENT IN THE AFGHAN ECONOMY, THIS FOCUS ON THE COTTON INDUSTRY IS A FOCUS ON PERHAPS THE ONLY LEGAL CASH CROP FOR THE REGION THAT COULD BE PRODUCED WITHOUT LIMITATIONS AND NOT HAVE TO WORRY ABOUT OVER PRODUCTION RESULTING IN A DROP IN PRICE, AS WOULD PERHAPS BE THE CASE WITH VEGETABLES AND MELONS IN THE PRESENT ECONOMIC CONTEXT. ASSUMING SUCCESS, SIMILAR ACTIONS COULD BE FOCUSED ON OTHER PARTS OF PAST COTTON GROWING AFGHANISTAN.

THE PRIMARY TARGET OF THIS ACTION IS THE OPIUM POPPY AS A CROP IN CENTRAL HELMAND PROVINCE. THE FARMERS CANNOT BE EXPECTED TO REDUCE OR ELIMINATE THIS LUCRATIVE CROP WITHOUT A CASH CROP THAT THEY UNDERSTAND, FOR WHICH THERE IS A READY MARKET AND WILL PROVIDE A REASONABLE INCOME. COTTON IS SUCH A CROP. COTTON HAS BEEN LONG KNOWN IN HELMAND, FARMERS STILL GROW IT IN A GRADUALLY INCREASING VOLUME, THE INFRASTRUCTURE IS IN PLACE AND FUNCTIONING, IF SOME WHAT LAMELY, TO PROCESS AND SELL IT, AND IN NEARBY KANDAHAR THERE IS A SPINNING/WEAVING MILL IN NEED OF REFURBISHING TO MAKE USE OF THE FIBERS. THE TOTAL SYSTEM OF COTTON PRODUCTION AND UTILIZATION IS PRESENT, INCLUDING THE NECESSARY UNDERSTANDING OF THE PROCESSES INVOLVED BUT IT NEEDS SUBSTANTIAL HELP TO BE REVIVED.

THIS HELP MUST COME FROM A VARIETY OF SOURCES. ONE DONOR CANNOT BE EXPECTED TO FUND THE TOTAL PACKAGE OF THE COTTON

INDUSTRY REVIVAL. IN THE PAST, ELEMENTS OF THIS INDUSTRY WERE SUPPORTED BY AT LEAST THE U.S.A., ENGLAND AND GERMANY. MANY COUNTRIES, HOWEVER, ARE EFFECTED BY THE NARCOTICS TRADE THAT WOULD BE TARGETED BY THIS COMPLEX OF DEVELOPMENT ACTIONS. IF THESE COUNTRIES CLEARLY UNDERSTAND THE NATURE OF THESE DEVELOPMENT ACTIONS, PERHAPS THEY CAN BE CONVINCED TO CONTRIBUTE.

ON THE DOWN SIDE, COTTON CANNOT BE EXPECTED TO COMPETE WITH OPIUM FOR CASH INCOME. BUYERS CAN PERHAPS DOUBLE OR TRIPLE THE PRICE OF RAW OPIUM AND THE INTERNATIONAL PRICES OF OPIUM DERIVATIVES WOULD BE UNCHANGED. THE FARMERS' SHARE OF THE INTERNATIONAL VALUE OF THEIR PRODUCT IS RELATIVELY SMALL. THIS HAS IN FACT HAPPENED WITH OPIUM OVER THE PAST YEAR, RAW OPIUM DOUBLED IN VALUE, BUT PERHAPS IN RESPONSE TO THE DEFLATION OF THE AFGHANI.