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To: Ranjeet Singh, INL

Elisabeth Kvitashvili, USAID

From: Richard B. Scott, Helmand Consultant

Subject: Helmand Follow Up IX (Afghanistan): Cotton

If some action is not already in the mill to support this year's cotton harvest, the foreign aid program for Afghanistan should immediately initiate action to support the Afghan cotton industry in at least the Helmand region. Why "...in at least the Helmand region"? Cotton is the obvious and primary cash crop being replaced by the opium poppy industry in Helmand. Helmand is perhaps the most productive agricultural region of the country that has, in the past, produced some 40 % of the country's opium. Cotton has been one of the primary cash crops in the Helmand region since the construction of the cotton gin by the British in the mid-1960s. In the farmers' minds, cotton is associated with the U.S. and the transformation of the Helmand region from marginal, subsistence agriculture to a modern, mechanized cash crop economy. We are in the unique position to permanently eliminate opium production from the region.

This year's opium poppy crop has been harvested and the cotton crop has been planted. Apparently UNDCP has not yet released the opium production figures for 2004 but they will be at record highs. Cotton, as noted, has been a major cash-crop in central Helmand for some 40 years. Opium poppy spread through the central Helmand region with the Soviet invasion and the breakdown of central government authority in the early 80s. Opium poppy was not cultivated in central Helmand during the development period of the 1960s and 70s. Opium poppy has always been grown in north Helmand, the foothills areas beginning in Sangine, Musa Kala and Nauzad. This was true under the king, Daoud, the Communists, the Taliban and now. The cultivation of the two crops of wheat and poppy are related and competitive since their cropping seasons overlap. The planting of one of these crops affects the planting of the other.

The cotton seed in Helmand is distributed free to the farmers by the Bost Cotton Gin. The gin is the primary buyer of the raw cotton in the region. The amount of seed distributed each year is an indication of the amount of land planted although it is said that in some cases the farmers take the seed to use as feed for their farm animals.

Last year (2003) some 649,860 kg of seed were distributed to the farmers in Helmand. The result of that relatively successful planting season was a dialogue between farmers and government concerning a price increase for raw cotton. The result was that the government refused to raise the price of cotton. The farmers of central Helmand had not planted opium poppy, the result of a well publicized irrigation rehabilitation action, a strong government poppy ban with follow up and initial support for the cotton industry.

But with lack of follow up support for cotton, most farmers reverted to planting poppy in the next planting cycle.

This year (2004) some 421,980 kg of seed were distributed to the farmers in Helmand. This is a 227,888 kg or 35% reduction in seed distributed. To obtain seed, the farmers must come to the cotton gin. This reduction in seed distribution suggests a reduced farmer interest in cotton as a cash crop. And in terms of land use, it reflects the bumper crop of opium poppy just harvested. It will be interesting to see what the peanut crop in Nad-i-Ali will be this year. Peanut is the other cash crop, primarily grown in Nad-i-Ali, that competes with cotton and poppy for land. Although still a limited market, government is not involved in this fledgling industry.

This year's cotton crop is maturing. It will begin to come on the market in the fall. The Bost cotton gin is now the only regional buyer since the small private enterprise cotton gins were confiscated last year as part of the government crack down on competition. There has been some exportation of raw cotton from the region but no doubt there have been attempts to stop this limited flow.

The fall planting season is fast approaching. If Afghanistan is to stop being perhaps the world's largest producer of raw opium and if the farmers of central Helmand who are probably the largest regional producer of opium in the country are to return to their legitimate cash crops of cotton, peanuts, fruit and vegetables (not to mention the traditional subsistence/cash crop of wheat), a strong, well timed action on the part of the foreign donors (the U.S.A.) and the central and local governments is needed. I outlined a similar plan last September. No action was taken. A bumper crop of opium poppy and a reduction in cotton planting was the result.

As a side note, the media have been reporting a drop in the price of opium for the farmers - the result of over production. We might expect a similar rise in the price of wheat as the two crops compete. As the British government analyst David Mansfield reported in 2001, during the last poppy bumper crop years of the Taliban, it was more profitable to grow wheat than poppy. The same might be true this year. The Helmand opium and wheat markets should be monitored.

Actions needed this year that must be initiated immediately:

1. Evaluate the present plan with the central government and the farmers on the official price to be paid to the farmers for raw cotton. If the price is to remain the same as last year, subsidize as necessary the price of cotton to be paid to the farmers. This action should not be considered economics but international, anti-narcotics politics. The price should be set to give the farmers a reasonable return on their investment in cotton. Last year the farmers indicated that this was not the case, given the price of fertilizer and the other funds invested in the crop.

The central government (the Bost cotton gin) should get a reasonable return on their operational costs. Clearly, a quick analysis of the economics of the situation is needed but this should not delay the obvious needed actions.

Apparently, presently, the U.S. policy (both government and development organizations) is not to support in any way the cotton industry until the cotton gins are privatized and the cotton industry is out of government hands. While it is important to support our political/economic orientations in the underdeveloped world, it is also important to work toward bringing areas like central Helmand back into the legitimate cash crop agricultural world and attempt to suppress opium production. In central Helmand one important step in this direction is in the support of the cotton industry.

We can continue to pursue our goal of privatization but we must not stand around with our hands in our pockets (inaction) because of Afghan central government delays in privatizing an industry that has always been a government enterprise and a source of income. And this is a central government with virtually no tax base or other sources of income outside donations. Privatization of the government cotton gins may be a hard sell.

2. Pressure the central government to have the Ministry of Small Industry and the Governor release the privately owned cotton gins back to the farmer owners and allow them to continue with their contribution to the local economy. This action would be more political than economic.
3. Pressure the central government to initiate an immediate media blitz condemning opium production and informing the farmers in at least central Helmand that opium cultivation will not be tolerated this coming year. Again, why Helmand? U.S. funded irrigation rehabilitation work has been periodically initiated in Helmand since 1998 with the understanding from the farmers that it would result in the elimination of opium poppy cultivation. The inconsistency and uncertainty of the efforts to date and the relative lack of follow up has allowed the farmers to back-slide.

This media blitz must be followed up with on-the-ground monitoring, enforcement and eradication at planting time and after germination. Governor Sher Mohammad carried out an effective program of this sort in 2002 and is capable of duplicating the action with financial help and some guidance. He has been asking for help since that time.

4. Put some highly visible irrigation rehabilitation projects in the field immediately (before the wheat/poppy planting season) that would put a large labor force to work and money in the pockets of the local population. I understand that DAI may be continuing their work on the Marja drains presently with Chemonics/RAMP/USAID funding but this is primarily machine work and does not do much to increase local incomes for a large number of people. I also understand that there is a larger irrigation and infrastructure rehabilitation program being developed by Chemonics with USAID

funding but this must be implemented well before the fall planting season... immediately.

This highly visible and publicized rehabilitation action would be an important tool for the Governor in negotiating with and pressuring the farmers not to cultivate poppy. To declare the cultivation of opium poppy un-Islamic, and to declare an official ban on its cultivation is not enough. The Governor and his staff are on the front lines and must have tools of negotiation when confronting the farmers. He has frequently and recently requested such help. Opium production, while not a favorite of Helmand farmers, provides an unofficial credit system, a ready and dependable market and it puts a large labor force to work. Opium poppy cultivation is very labor intensive. And the opium industry in Helmand is primarily in the hands of free enterprise, if my understanding of the situation is correct.

And the field staffs of the implementing organizations like DAI, HAFO, HCC, MCI and any others must maintain a continuous dialogue with the farmers on the relationship between irrigation rehabilitation funding and not cultivating opium poppy. These organizations must be continuously reminded of their obligation to carry on this dialogue by the donor agency, USAID. For many, especially the local Afghan staff, this dialogue is not the most comfortable exchange to be involved in with the local farmers. But again, the benefits of not cultivating opium poppy must outweigh the economic loss. This is not difficult with a timely, well managed, rehabilitation program with a balance between machine work and a very large hand labor force. A large hand labor force is more difficult to manage than a hand full of machines but the political and local economic benefits are much greater. There may be a tendency for field projects to focus on the task of cleaning a drain, for example, rather than focus on the broader less comfortable goals of the rehabilitation/anti-narcotics program.

Helmand farmers are not idiots or immoral demons. They are some of the most innovative farmers in the country and are very adept at political negotiations. They are capable of producing bumper crops of any crop that they understand and are certain of a ready and rewarding market. Cotton and opium poppy are the two primary cash crops competing for the winter crop season. We must give support to the cotton industry if we want to see opium poppy eliminated from central Helmand, even though this support of a government controlled industry may not conform to our economic doctrine of support for free enterprise and privatization. With some help and guidance, the Helmand cotton industry can be successful. But we must keep in mind that central and local government goals and orientations may not be the same as ours. For the farmers of central Helmand, cotton is a logical and viable cash crop alternative to opium poppy but they must receive a reasonable return on their investment. We can help.

As in the past, I offer my help and direct involvement with the implementation of any or all of the suggested actions.