

Afghanistan

P4P Country Programme Profile

P4P Strategy

In the post conflict environment of Afghanistan few smallholder farmers produce surpluses of staple commodities. Furthermore, most existing farmer organizations (cooperatives) are immature, have little capacity to aggregate and market members' commodities, and are receiving no capacity building support. The environment thus provides few opportunities for WFP to engage directly with smallholder farmers in the near term. To the extent possible, WFP will identify cooperatives receiving good supply-side support and use its procurement to build their capacity. It will also engage with traders and agro-dealers (who largely aggregate from smallholders) when possible. However, given WFP's large and stable demand for processed foods, donor investments in food processing capacity, and donor efforts to increase wheat production and quality, linking smallholder farmers to an expanding food processing industry offers perhaps the best opportunity to promote smallholder access to a sustainable and profitable market for high quality/high value commodities and thus create incentives for investments in (licit) agricultural production.

The following sections summarize salient elements of Afghanistan's strategy as they apply to the four key activity areas of P4P – increasing smallholder productivity, strengthening group marketing capacity, developing markets for smallholders, and promoting a smallholder-friendly policy environment. Table 1 concisely summarizes key points of the strategy and extends it into areas of specific procurement strategies, gender, targets for farmers and procurement, alignment with the national agenda, and risks.

Smallholder Productivity

Afghanistan's smallholder farmers face a number of challenges to increasing productivity. Most cultivate five hectares or less and few have access to irrigation. Furthermore, the country lacks a sufficient supply of high quality seed and fertilizer, producers and service providers have limited knowledge and skills in agricultural production practices, and the construction and rehabilitation of irrigation systems is progressing slowly. The many programs that are working to increase wheat production are limited by the absence of market interventions to support and maintain productivity gains. WFP's procurement will provide the market necessary to encourage smallholders to invest in production. By providing a market for locally produced wheat, P4P will also increase farmers' demand for inputs and thus support the efforts of partners (primarily FAO) that are developing local capacity to produce certified seeds adapted to the environment. The programme will also engage with a range of partners to provide the training and technical assistance required to increase the production capacity of farmers, farmers' organizations, and service providers.

Group Marketing (Farmer Organizations)

Most farmers' associations (cooperatives) in Afghanistan came together to access donor support – largely that provided by USAID. Few, however, have developed any real capacity to assist

their members in production, value addition, or marketing. Very few have access to storage facilities, provide tools/equipment for members, or assist with marketing. The few cooperatives that are motivated and receiving good support are still relatively new and weak and will require time to develop significant production and marketing capacity. Furthermore, most smallholder farmers do not produce wheat as a cash crop so supply-side support often focuses instead on products like dairy, fruit, and nuts for export markets. Afghanistan's P4P programme will seek opportunities to engage with cooperatives that are receiving adequate supply-side support to increase production and marketing capacity.

Market Development

Afghan smallholder farmers focus largely on producing crops for household consumption and view investing scarce resources in cash crops as a high risk strategy. Consequently, few smallholder farmers produce staples (wheat) specifically for markets or are well connected to markets. When smallholders do sell surpluses, they do so largely through traders or at local markets. In Afghanistan's environment (i.e., few farmers focused on producing surpluses of staples, weak farmers' organizations, large demand for processed foods, donor investments in processing) processors may represent the best opportunity to engage smallholders in markets in the short term. Afghanistan's P4P programme aims to use its procurement to support expansion of the local processed foods industry and to encourage the emerging industry to source from local producers. It will also try to establish the base for a home-grown school feeding program in Afghanistan that could eventually be handed over to government thus creating a stable demand for locally produced commodities.

Policy Environment

The government's National Agriculture Framework (NAF) articulates a strategy to help shift subsistence farmers into semi-commercial or semi-specialized agriculture with an emphasis on producing cash crops. However, in an environment characterised by high production risks and scarce resources, this strategy may be too risky for many smallholder farmers. Afghanistan's P4P programme focuses on increasing demand for locally produced staple commodities thus promoting increased production of staples – a strategy much more in line with farmers' attitude towards risk. Furthermore, the lack of import regulations creates a situation where subsidised imported wheat depresses local prices and reduces incentives for domestic production – especially production for markets. The lack of national quality standards also offers an opportunity for other sellers to dump poor quality commodities on the Afghan market. WFP and FAO will work with MAIL and the Ministry of Commerce to develop and disseminate national trading standards for locally produced wheat. National standards will contribute significantly to market development in Afghanistan.

Table 1. Strategy Summary

	Smallholder productivity	Profitable market access		
		Group marketing (farmer organizations)	Market development	Policy environment
<p>1. Describe the current situation in your country with regard to each of the following.</p>	<p>Smallholder productivity is generally low due to:</p> <ul style="list-style-type: none"> • limited availability of and access to quality seed and fertilizer, • limited arable land, • poor production knowledge and skills among producers, service providers, and consumers, • deteriorated irrigation systems, and • limited access to financial services. 	<ul style="list-style-type: none"> • Farmers’ organizations are generally weak with little focus on marketing and lack experience with contracting, bidding, and grain standards. 	<ul style="list-style-type: none"> • Limited competition for locally produced commodities. • Most promising opportunities likely in locally processed foods’ ingredients like oilseeds (for edible oil) soybeans (for WSB or HEB), almonds (for RUSF). 	<ul style="list-style-type: none"> • No national grain quality standards exist. • Lack of trade regulations results in competition from subsidized imports thus depressing local commodity prices. • There is no mechanism for enforcing contracts.
<p>2. What is required to improve the current situation?</p>	<ul style="list-style-type: none"> • Improve access to inputs. • Capacity building in production practices. • Construction and rehabilitation of irrigation systems. • Improved access to credit. 	<ul style="list-style-type: none"> • Strengthen farmer organizations’ capacity at all levels – production, marketing, organizational management, etc. 	<ul style="list-style-type: none"> • Increase national food processing capacity. 	<ul style="list-style-type: none"> • Develop national grain quality standards. • Develop trade regulations. • Develop contract enforcement mechanism.
<p>3. How will your P4P programme address these issues (i.e., which partners will you work with on each issue and what impact do you expect from these activities)?</p>	<ul style="list-style-type: none"> • Increase access to certified seed (FAO). 	<ul style="list-style-type: none"> • Establish networks of FOs (FAO). • Develop alternative organization mechanisms for smallholders (ISEs, agro-dealers, CDCs). • Build FO capacity in production, marketing, commodity handling, storage management, quality control (WFP, partners). 	<ul style="list-style-type: none"> • Establish laboratory capacity for commodity analysis and commodity checks (FAO). • Training and capacity building for food processing activities. • Establish community based storage facilities (ASAP, DIFD). • Link FOs to food processors as suppliers. 	<ul style="list-style-type: none"> • Support MAIL and Ministry of Commerce to develop and disseminate national trading standards for local wheat (WFP, FAO).
<p>4. Who will you buy from and why have you chosen to buy from them?</p>	<p>Afghanistan’s P4P programme will buy from farmers’ organizations, traders, and local food processors with the aim of increasing markets for locally produced commodities.</p> <ul style="list-style-type: none"> • It will buy from farmers’ organizations (when possible) to stimulate production and build capacity for competitive market engagement. 			

	<ul style="list-style-type: none"> • It will buy from traders in order to build their capacity to comply with WFP standards and to strengthen another conduit to markets for smallholder farmers. • It will buy from food processors to help establish a local food processing industry that will source commodities from local producers.
<p>5. How will you buy (i.e., modalities) and why have you chosen to buy in this way?</p>	<p>Afghanistan's programme will buy through competitive tenders, modified competitive tenders, direct contracts, and forward contracts as most appropriate given the capacities of suppliers. In particular the programme will purchase through:</p> <ul style="list-style-type: none"> • competitive tenders with established suppliers in 2009 as a basis for learning and developing partnership, • modified competitive tenders from medium scale traders and farmers' organizations with substantial surpluses, • direct contracts from new farmers' organizations with unproven capacity for aggregation, • forward contracts with higher capacity farmers' organizations that can ensure quantities in advance.
<p>6. How does your programme address the specific needs of female smallholder farmers?</p>	<p>Cultural factors that restrict many women to the household and limit their ownership of productive assets severely limit the potential to engage them directly in agricultural activities. P4P will make every effort to engage female smallholders when possible, perhaps if it begins to buy products (other than cereals) that women can cultivate (e.g., almonds) or employing them for re-bagging within WFP warehouses. Food processing activities provide more opportunities for the programme to contribute to empowering women as they can often (especially in urban areas) work in bakeries and food processing facilities.</p>
<p>7. What are your targets for farmers and tonnage, are they consistent with your strategy, and are they realistic within your country context? Elaborate.</p>	<p>The programme expects to buy 157,139 mt from an estimated 135,752 smallholder farmers between 2010 and 2014. These are rough estimates based on expected purchases and crude data. Given the evolving situation in Afghanistan, procurement levels, and thus the number of farmer beneficiaries, may be substantially larger.</p>
<p>8. How would you describe your P4P programme strategy for supporting sustainable smallholder access to profitable markets? How does your approach to procurement and partnerships contribute to supporting sustainable and profitable engagement in markets for smallholders beyond P4P?</p>	<p>In the post conflict environment of Afghanistan few smallholder farmers produce surpluses of staple commodities. Furthermore, most existing farmer organizations (cooperatives) are immature, have little capacity to aggregate and market members' commodities, and are receiving no capacity building support. The environment thus provides few opportunities for WFP to engage directly with smallholder farmers in the near term. To the extent possible, WFP will identify cooperatives receiving good supply-side support and use its procurement to build their capacity. It will also engage with traders and agro-dealers (who largely aggregate from smallholders) when possible. However, given WFP's large and stable demand for processed foods, donor investments in food processing capacity, and donor efforts to increase wheat production and quality, linking smallholder farmers to an expanding food processing industry offers perhaps the best opportunity to promote smallholder access to a sustainable and profitable market for high quality/high value commodities and thus create incentives for investments in (licit) agricultural production.</p>
<p>9. How is your strategy aligned with the national agenda?</p>	<p>Agriculture and rural development is a key strategic priority of the Afghanistan National Development Plan (ANDS). The strategic approach relies on private sector investment coupled with public sector support to transform agriculture into a source of growth and means of livelihood for the rural poor. Furthermore, the government and donors focus substantial effort on developing licit agricultural livelihoods to combat poppy cultivation and consider rehabilitation and growth in the rural and agriculture sectors as crucial to achieving this goal. The proposed P4P interventions in Afghanistan will support government and partners' efforts to address some of these key challenges by expanding market opportunities for rural producers which will contribute to improved agriculture practices and increased production and productivity.</p>
<p>10. What are the main risks and challenges your programme faces in achieving its objectives and how do you expect to address them?</p>	<ul style="list-style-type: none"> • Uncertain security environment. • Adequate rainfalls/production. • Necessary internal and external capacities and partnerships are developed.