Agriculture in Afghanistan – Agribusiness and Economic Sustainability and Sub-Sector Viability

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Abstract

One of the most conspicuous trends of today’s Agricultural economy in Afghanistan is that the majority of the Afghanistan population live in rural areas where agriculture is critical for livelihoods. Harnessing the potential of agriculture is important for improving labor productivity, the lives of women, and food security. The high youth population is contributing to unemployment and underemployment. Market participation is currently limited and unpaid family members constitute a large number of the workforce. A 2014 World Bank Afghanistan Review recommends focusing on three agricultural sub-sectors in terms of economic viability: irrigated wheat, horticulture (including fruit, nuts and vegetables), and livestock (including production or milk, eggs and poultry meat). These recommendations are based on their suitability for small intensively irrigated and peril-urban areas. However, recent research highlights difficulties with irrigation for crop agriculture and price stagnation for fruits and nuts. The high potential of horticulture and livestock which is suggested in the literature is not possible to back up with data. Data collection is difficult for a number of reasons including the seasonal and informal nature of jobs in the sector. Around 80 percent of the population live and work in rural areas and 61.6 percent of all households derive income from agriculture. Agriculture accounted for around one quarter of GDP according to the World Bank Agricultural Sector Review for Afghanistan 2014. The review discusses greater potential for jobs in agriculture. It also emphasizes the importance of agriculture for raising labor productivity, improving lives for women (and other disadvantaged groups), and reducing food insecurity in rural areas.

Introduction

1. Agriculture in Afghanistan

Agriculture accounts for 45 percent of Afghanistan’s gross domestic product and is the main source of income for the Afghan economy. Over 80 percent of the Afghan population is involved in farming, herding, or both. However, decades of war, drought, and security challenges have devastated the country’s agricultural sector, and the current level of U.S. government civilian support has been unable to keep pace
with the tremendous need for assistance in this region.

Revitalizing Afghanistan's agricultural sector is critical to building the government's capacity and to stabilizing the country.

The review discusses greater potential for jobs in agriculture. It also emphasises the importance of agriculture for raising labour productivity, improving lives for women (and other disadvantaged groups), and reducing food insecurity in rural areas.

Rural Afghanistan has high unemployment and underemployment. There is also low absorption. High growth in youth population, a ‘youth bulge’, is contributing to unemployment problems. Greater education and human capital potential leads to high competition for few jobs. More jobs are needed and better skilled jobs will help to include this age-bracket.

Within the agricultural employment that exists in Afghanistan there is a relatively low share of income due to the limited nature of market participation and the large number of unpaid family workers.

2. Sub-sector viability in Afghanistan

The World Bank Agricultural Sector Review for Afghanistan (World Bank) recommends three subsectors to focus on for viability: 1) irrigated wheat, 2) horticulture (in this case fruits, nuts and vegetables), and 3) intensive livestock production (milk, eggs and poultry meat).

These three are suited to small intensively irrigated and peri-urban areas; they can achieve good value addition and employment; and, are concentrated where the poor are. They also accounted for two-thirds of agricultural GDP at the time of the Review.

Crop agriculture still accounts for the greatest share of agricultural income, but profitability has declined with the price in recent years according to a World Bank report. Crop agriculture is also constrained by poor irrigation, which affects sub-sector viability. Irrigated land is particularly low in the north of the country.

The crop agriculture sub-sector is not diversified and is overly concentrated on wheat. Lack of diversification makes households vulnerable. Fruit and nuts are said to be in great demand but prices remained stagnant in the early 2010s (See figure 1).

Viability could be improved by providing technical and financial support to rural households using garden plots for their own consumption where they could be producing commercially.
A 2015 International Labor Organization (ILO) study investigates the value chains of grape, wheat, rice, tomato and potato in Afghanistan (ILO Office for Afghanistan, 2015). It also compares these with the country’s regional trading partners, Iran and Pakistan. Literature and statistics were reviewed alongside primary qualitative evidence: input suppliers, farmers, processors to wholesalers, retailers, importers/exporters and the providers of support services were interviewed. Severe depreciation of currencies in neighbouring countries created uncertainty and negatively affected the price of key production factors, particularly energy, fertilizers and labour. The study found competitiveness loss in all sectors apart from raisins between 2007 and 2012.

Grapes and tomatoes reportedly receive the highest income per land unit according to the ILO study. The regional grape market is highly competitive and cold chain establishment is important to realise potential growth in this sector. Wheat is the most commonly cultivated and supports the income of around 47 per cent of households in Afghanistan. It provides the lowest income per unit of land of the five crops investigated (see table 1).
Table 1: Income per land unit and employment in different sub-sectors

<table>
<thead>
<tr>
<th>Crop</th>
<th>Income per unit of land (USD/jerib(^1))</th>
<th>Number of people employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grape</td>
<td>806</td>
<td>1.3 million</td>
</tr>
<tr>
<td>Wheat</td>
<td>148</td>
<td>8.9 million</td>
</tr>
<tr>
<td>Rice</td>
<td>307</td>
<td>502,000</td>
</tr>
<tr>
<td>Tomato</td>
<td>800</td>
<td>214,000</td>
</tr>
<tr>
<td>Potato</td>
<td>406</td>
<td>1 million</td>
</tr>
</tbody>
</table>


3. Agri-business jobs and income in Afghanistan

The World Bank sector review (World Bank, 2014) projects that wheat, livestock, and horticultural production could provide an additional 260,200 people with full-time employment by 2024. Realisation of these gains would need an enabling business environment to attract private investment.

The World Bank Afghanistan Horticulture and Livestock Productivity Project (2013-2020) promotes the adoption of improved production practices (World Bank, 2018). The aim is to improve productive capacity with agricultural services systems and investment support. Support has been provided to improve technology uptake for horticultural production and animal production and health. The Status Report in 2018 (ibid.) states the project has reached out to 613,809 farmers (including 227,597 women). The project has created direct employment and generated many indirect jobs by expanding production and through technical and financial assistance. Horticultural extension has created around 10,000 full-time equivalent (FTE) jobs, 60 per cent of which are long-term. Data on the impact of livestock extension on job creation is not available.

A 2018 World Bank report investigated agricultural employment and income using the National Risk and Vulnerability Assessment Survey 2011–12\(^2\) and the Afghanistan Living Condition Survey 2013–14. It assessed employment support and creation in agriculture. Job creation is noted as difficult to measure with some jobs being informal and/or seasonal. Agricultural employment has historically had low returns due to the low level of market participation and high numbers of unpaid family workers (particularly youth). Data from 2013/14 shows that 2.5 million people were recorded as employed in agriculture and a further
1.3 million were classed as unpaid family workers.

The report states the livestock subsector generates around 40 per cent of agricultural employment but a large proportion of this is unpaid. Actions to increase the productivity of small-scale producers, promote commercial production, provide extension services, and strengthen market linkages will help to generate employment. The weakness in employment return in this sub-sector is that youth workers join their family due to lack of other employment opportunities and also because of low market participation. In most areas in Afghanistan livestock’s income share is much lower than its employment share suggesting unrealised potential income. Connection to national value chains is key to remedying this.

The report goes on to describe fruit and nuts to be in high demand and have potential for providing jobs, however data is difficult to collect to estimate current employment figures. Supporting those growing fruit for their own use with access to markets, could improve jobs in this area, particularly for young workers. Figure 2 shows the potential expanding in this area with a comparison of garden plot owners and market participants.

Figure 2: Percent of rural households that own garden plots and receive orchard income


World Bank projects have found positive results for job creation with the development of community-based enterprises and integrated value chains (Leao et al., 2018). Job creation may not be the initial aim but, for example, improving water efficiency and agricultural productivity also creates many short-term jobs in rural areas and is expected to support better and sustainable jobs by reducing underemployment among beneficiary farmers.

Agro-processing adds value to agricultural products through backward and forward
linkages in the economy (Leao et al., 2018). Backward linkages with input suppliers and service providers create jobs and provide income. Forward linkages with distributors, wholesalers, and retailers also create economic spillovers. Analysis of the fruit processing sector in the World Bank rural employment report (Leao et al., 2018) profiles suppliers, transporters, processors, distributors, and wholesalers. Table 2 shows the survey results. More than half of the jobs support processing activities: 17 per cent are in distribution, 14 per cent in wholesale, and 9 per cent of jobs were with suppliers. There was a 36 per cent increase in jobs overall from 2012 to 2016. A large percentage of all jobs are with one large company in Kabul, Omaid Bahar. Assessing the distribution of jobs through backward and forward linkages within this company found the supply firm to be the main provider of employment supporting 85 per cent of jobs.

Table 2: Permanent and temporary jobs in the fruit-processing supply chain, 5-year average.

<table>
<thead>
<tr>
<th>SUPPLY CHAIN SEGMENT</th>
<th>PERCENT</th>
<th>PERCENT</th>
<th>PERCENT</th>
<th>PERCENT</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input supplier</td>
<td>25</td>
<td>6.2</td>
<td>57</td>
<td>11.8</td>
<td>82</td>
</tr>
<tr>
<td>Service provider</td>
<td>3</td>
<td>0.7</td>
<td>0</td>
<td>0.0</td>
<td>3</td>
</tr>
<tr>
<td>Transporter</td>
<td>32</td>
<td>8.0</td>
<td>10</td>
<td>2.0</td>
<td>42</td>
</tr>
<tr>
<td>Lead firm</td>
<td>137</td>
<td>34.3</td>
<td>342</td>
<td>71.0</td>
<td>479</td>
</tr>
<tr>
<td>Distributor</td>
<td>106</td>
<td>26.6</td>
<td>43</td>
<td>9.0</td>
<td>149</td>
</tr>
<tr>
<td>Wholesaler</td>
<td>26</td>
<td>6.2</td>
<td>30</td>
<td>6.2</td>
<td>126</td>
</tr>
<tr>
<td>Total</td>
<td>399</td>
<td>100.0</td>
<td>482</td>
<td>100.0</td>
<td>881</td>
</tr>
</tbody>
</table>


Investment in connectivity and infrastructure to link farmers to markets is crucial. The authors recommend improving the capacity of farmers regarding marketing and trading knowledge as important for sustainability. And analytic rigour is needed for designing effective job creation policies. There are difficulties in measuring the effects of proposed interventions which would be helpful to overcome. Improvement in administrative data would support this.

Competitiveness is being eroded in Afghanistan due to high production costs. Depreciation of the currencies of Pakistan and Iran widens the trade gap. A 2015 ILO report recommends accelerating customs and phytosanitary procedures, establishing cold chains, supporting certification, assisting participation at trade fairs, helping firms comply with international regulations, promote proven productivity gains, explore low-cost delivery of agricultural extension services and improve the financial literacy of farmers.

4. Recommendations for improving agri-business in Afghanistan
Market engagement is needed to stimulate growth in the rural economy. A Secure Livelihoods Consortium working paper reviews commodity and rural labour markets in Afghanistan with a focus on social regulations.

A number of recommendations are made including:

- Stimulating demand: Infrastructure projects in urban areas can generate employment to targeted areas and increase domestic demand. Targeted social protection programmes can also create demand, as can imposing import tariffs on agricultural cash crops.
- Promoting export value-chain development for high-value cash crops.
- Recognise commodity markets as complex systems. Agricultural systems need growth but there must also be an emphasis on how that growth is distributed. Value-chain models need to move beyond focus on competitive conditions, price formation, and performance to improve understanding of markets in Afghanistan and formulate policy.
- Models must account for power structures in the market place and distributional outcomes. Market context and market power are also important.
- Learning from the opium poppy market. Technical change and labour absorption that has widespread benefits. It fits well in the cropping system as requiring intensive management and harvest labour and good storage qualities.
- Understand that the free market model does not work under conditions of uncertainty and power. Acknowledging that social protection policies are good for growth (creating demand).

**Conclusion**

From what has been discussed it can be concluded that Afghanistan Agriculture plays a pivotal role in the economic sustainability and growth of Afghanistan.

Whereas on the other side Agribusiness is the new trend in Afghanistan which definitely helped the farmers to easily understand the market and most important to forecast demand and supply and it makes an astonishing connectivity with the merchants within Afghanistan and as well as neighbour countries like Pakistan and Iran.

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