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## Afghanistan

**Post:** Kabul

### Grain and Feed - Afghanistan

**Report Categories:**

Grain and Feed

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**Report Highlights:**

Post forecasts marketing year (MY) 2013/14 wheat production at 4.05 million metric tons (MMT), a two percent decrease from the previous year, due to less favorable weather conditions. Post forecasts Afghanistan's MY 2013/14 rice production at 460,000 metric tons (MT) from a harvested area of 205,000 hectares. Afghanistan is forecast to import 2 MMT of wheat and 170,000 MT of rice, primarily from Pakistan and Kazakhstan, to meet the total demand for grain in MY 2013/14. Post revised MY 2012/13 estimates for both wheat and rice due to the availability of improved data.

**Executive Summary:****Wheat**

Post expects an average wheat crop in MY 2013/14. Post forecasts marketing year (MY) 2013/14 wheat production at 4.05 million metric tons (MMT), a two percent decrease from the previous year due to less precipitation and snow accumulation during the winter. Kazakh wheat flour imports declined after a lower than usual grain harvest in MY 2012/13. Pakistan and Kazakhstan are the leading suppliers of Afghanistan's wheat and wheat flour imports.

Wheat and wheat flour prices in Afghanistan moved slightly higher with the increase in international wheat prices, but overall prices were stable in urban markets due to the above average domestic harvest in MY 2012/13. Wheat consumption is expected to increase slightly – less than one percent – based on increased availability of wheat and wheat flour in local markets. Post estimates Afghanistan's wheat stocks in MY 2013/14 will total 85,000 metric tons (MT), a six percent increase from the previous marketing year due to donations from India to Afghanistan's strategic grain reserves and Afghan government purchases of grain from small-scale local farmers. Wheat is the most important crop in Afghanistan, supplying over half of the population's caloric intake, but consumers are slowly increasing their consumption of rice.

**Rice**

Post forecasts Afghanistan's MY 2013/14 rice production at 460,000 MT from a harvested area of 205,000 hectares, which is unchanged from the previous marketing year because of average weather conditions. Pakistan will remain the dominant supplier of rice to Afghanistan as the country commands 95 percent market share. Post estimates MY 2012/13 rice consumption at 620,000 metric tons, a two percent increase from the previous marketing year reflecting increased consumer demand for rice in urban areas.

**Commodities:****Wheat****PRODUCTION****Farmers Cultivated Spring Wheat Earlier Than Last Year**

Post forecasts MY 2013/14 wheat production at 4.05 MMT, a two percent decrease from the previous year because of a below average wet season and less snow accumulation during the winter. However, Afghanistan's rain-fed areas received heavy precipitation in the month of February which reduced the dry conditions. The above average temperatures and favorable soil moisture conditions during the month of February encouraged farmers in northern areas to plant rain-fed wheat 10 to 15 days earlier in the planting season (early March rather than late March/April).

Post's outlook for Afghanistan's 2013/14 winter wheat production remains favorable. Seasonal weather conditions through late February were similar to the previous year except in the northern provinces of Afghanistan where cumulative precipitation was below average from last year. Snowmelt provides irrigation for wheat production. Assuming spring precipitation (March to May) continues to be favorable, Post expects rain-fed yield to be at average levels.

Post forecasts MY 2013/14 wheat area harvested at 2.5 million hectares (HA), unchanged from the previous year due to average weather conditions. The Ministry of Agriculture, Irrigation, and Livestock (MAIL) distributed 21,100 MT of certified wheat seed through its National Seed Distribution Program for the 2012/13 wheat cropping season. In the 2011/12 wheat planting season, MAIL distributed 17,000 MT of certified wheat seed and 18,000 MT of urea and DAP fertilizers to drought-affected farmers.

Afghanistan's wheat seed sector has been revitalized with the assistance of the international community. According to MAIL, the total demand for wheat seed is 300,000 MT and the domestic seed industry produced 30,000 MT of improved wheat seed in calendar year 2012. During the last ten years, almost all improved wheat seed was sold to MAIL and donor agencies for wheat seed distribution programs where farmers were given seed and fertilizer at subsidized rates. Despite the significant production of improved wheat seed, small quantities of improved wheat seed are purchased directly by farmers in commercial markets. The primary source of seed for Afghan farmers is through their own farm-saved seeds.

Post maintains that Afghanistan's MY 2012/13 wheat production is 4.15 MMT, the second largest harvest after the 2009 bumper wheat production. Despite MAIL's MY2012/13 estimate that wheat production was 5.05 MMT, which was based on a provincial assessment report and interviews with farmers by the Directorates of Agriculture, Irrigation and Livestock, Post did not use MAIL's data because the Ministry continues its effort to build capacity for data collection and statistical analysis.

## **TRADE**

Post forecasts MY 2013/14 wheat imports at 2 MMT, a five percent increase from the previous year due to the reduction in domestic production. Post revised MY 2012/13 wheat imports to 1.9 MMT base on improved trade data availability.

Afghanistan has an intricate network of grain and flour traders that are highly skilled at importing flour to fill deficits. Kazakhstan and Pakistan are the dominant suppliers of wheat flour to Afghanistan, together accounting for 63 percent of Afghanistan's import requirements. Afghan traders report that wheat imports from Kazakhstan and Pakistan are linked i.e., if one import source has a problem with its exports, the traders will shift to the other source. MY 2012/13 will see Kazakh wheat flour exports to Afghanistan fall to approximately 700,000 MT, a 30 percent decrease from the previous year due to low wheat production in Kazakhstan. Post estimates 500,000 MT of wheat flour imports from Pakistan during MY 2012/13.

Kazakhstan was the dominant supplier of wheat flour to Afghanistan during MY 2011/12, exporting more than 1 MMT of wheat flour to Afghanistan due to broad availability of wheat flour and moderate prices. Pakistan traditionally exports wheat flour to Afghanistan shortly after their harvest ends in June, and continues to do so until April of the following year when the Government of Pakistan adjusts their subsidies to further encourage or discourage trade depending on internal factors. Iran appears to be playing a more important role in the western Afghan market (Herat City), exporting 23,000 MT of wheat equivalent in MY 2012/13.

The following table is a breakdown of Afghanistan's wheat imports. It is important to note row six, as it captures the informal trade along Afghanistan's porous borders. Speaking with Afghan traders, Post estimates that 13 percent of wheat imports to Afghanistan go unreported.

**Afghanistan: Wheat and Wheat Equivalent Import Trade Matrix, in Metric Tons**

	<b>Country by Origin</b>	<b>MY 2011/12</b>	<b>MY 2012/13 Estimated</b>
1	Kazakhstan	1,000,000	700,000
2	Uzbekistan	200,000	250,000
3	Pakistan	410,000	500,000
4	Other Countries	90,000	50,000
5	Food Aid	150,000	150,000
6	Informal Trade	150,000	250,000
	<b>Total</b>	<b>2,000,000</b>	<b>1,900,000</b>

**Source:** Row 1 & Row 4: Data obtained from Global Trade Information System

Row 2 & Row 3: Wheat/Flour Exports data from and FAS Tashkent and FAS Islamabad

Row 5: Average Food Aid

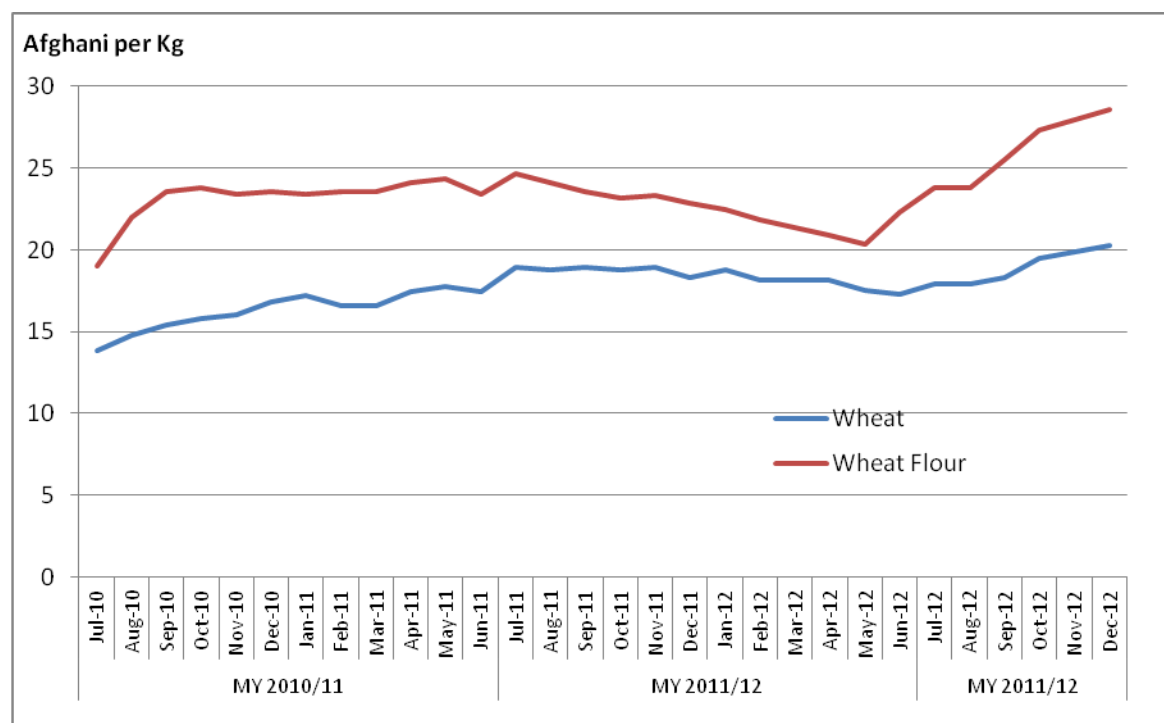
Row 6: Informal trade – Post estimate of informal trade based on discussion with traders and millers

**PRICES**

**Since July 2012 Wheat Flour Import Prices Increased with International Wheat Prices**

According to the World Food Program's (WFP) price series information, average prices in Afghanistan's five main urban markets were 0.38 \$/kg for wheat and 0.55 \$/kg for wheat flour during December 2012. Wheat flour prices trended upward, increasing by 20 percent from July 2012 to December 2012 as a result of increased wheat flour prices in neighboring countries and the depreciation of Afghan Afghani against U.S. dollar.

**Figure 1. Afghanistan: Wheat and Wheat Flour Retail Prices July 2010- December 2012**



Source: WFP – VAM Market Price Bulletins

1 USD = 52 Afghan Afghanis

## STOCKS

Post forecasts Afghanistan's MY 2013/14 year-end wheat stocks at 85,000 MT, a 6 percent increase from the previous year due to expected donations from India to Afghanistan's strategic grain reserves and government purchases from small-scale domestic farmers. Afghanistan is a wheat deficit country and does not have permanent wheat stocks. However, MAIL recently established strategic grain reserves to be used in emergencies and for stabilizing wheat prices.

## CONSUMPTION

Post forecasts Afghanistan's MY2013/14 wheat consumption at 6.05 MMT. Wheat is the most important staple crop in Afghanistan as it supplies over half of the population's caloric intake. Afghans prepare naan (flat bread), the staple food, from wheat. Afghan wheat is generally of relatively low quality, does not bake well, has low protein content, and often requires blending with higher quality imported wheat. Afghans are primarily concerned with the baking characteristics and appearance, and pay little attention to protein content or nutritional value.

The milling industry is made up of five public mills, twelve commercial mills, and many small scale water and diesel mills called “*asiabs*” or “*zirandas*.” Public mills constructed in major Afghan cities by the Soviet Union in the 1980s consist of large grain silos (with large storage capacity), flour mills, and bakeries. During the Afghan civil war, all of these mills were partially or completely destroyed. The public mill in Kabul is operational and the adjacent bakery prepares bread for the Afghan National Army. The public mill in Mazar-e-Sharif is rarely used for milling and mostly used to store grain. Public mills in Kandahar, Herat, and Pul-e-Khumri are not functional and are used only for storage. Current storage in public mills is in bags as all mechanical silos have been damaged.

Twelve commercial mills are located in Kabul, Mazar-e-Sharif, Jalalabad, and Herat, with a milling capacity ranging from 80 to 500 tons per day. These mills do not operate at full capacity, and on occasion shut down entirely due to competition from imported wheat flour and the unavailability of wheat grain, labor, and electricity at cost-effective rates. Post estimates that more storage exists at private mills than at public mills.

Small scale “*asiabs*” or “*zirandas*” are the most important subsector of the milling sector and process more than 90 percent of domestic production. These mills play a particularly important role in rural areas where transportation prohibits the internal movement of grain. These small-scale mills process one to three tons of wheat per day and normally operate on a fee for service basis where farmers compensate the miller with a portion of the milled flour.

**Table 1. Afghanistan: Wheat Production, Supply, and Distribution**

Wheat Afghanistan	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,100	2,100	2,512	2,512		2,500
Beginning Stocks	70	70	70	70		80
Production	2,500	2,500	4,150	4,150		4,050
MY Imports	2,200	2,200	2,000	1,900		2,000
TY Imports	2,200	2,200	2,000	1,900		2,000
TY Imp. from U.S.	14	14	0	0		0
Total Supply	4,770	4,770	6,220	6,120		6,130
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	200	200	600	620		605
FSI Consumption	4,500	4,500	5,550	5,420		5,440
Total Consumption	4,700	4,700	6,150	6,040		6,045
Ending Stocks	70	70	70	80		85
Total Distribution	4,770	4,770	6,220	6,120		6,130

1000 HA, 1000 MT, MT/HA

## Rice, Milled

## PRODUCTION

Post forecasts Afghanistan's MY 2013/14 rice production at 460,000 MT from a harvested area of 205,000 hectares, which is unchanged from the previous year because of average weather conditions. According to MAIL the rice area planted is approximately 208,000 hectares and has expanded slowly in recent years as rice becomes a more profitable crop for farmers. Post estimates that Afghanistan's MY 2012/13 area planted is 205,000 hectares despite MAIL's estimate because the Ministry continues its effort to build capacity for data collection and statistical analysis. The MY 2012/13 yield was increased to 3.45 MT/hectare due to favorable weather conditions, sufficient water availability, and technical support provided by the international community.

Post adjusted MY 2012/13 rice production from 350,000 MT to 460,000 MT based on improvements in data collection for rice yields. USDA Agricultural Advisors throughout Afghanistan confirmed new MAIL rice yield estimates. Rice is sparsely cultivated throughout Afghanistan but is the second most important grain. Japonica, Indica, Sardri, Nilofar, Bara, Basmati 385, and Shah Lawangi are the common types of rice growing in Afghanistan.

The local milled rice is not competitive with imported rice, and more than 90 percent of rice is processed by hand and consumed locally. Afghanistan has only two modern rice processing mills in Kunduz and Nangarhar provinces, recently established by private companies, with a processing capacity of 15 to 20 metric tons per day. The rice processing facilities are not operating at full capacity because the processing mills do not have parboiling equipment or adequate storage capacity and have weak market linkages.

## **TRADE**

Post forecasts Afghanistan's MY 2013/14 rice imports at 170,000 MT as a result of continued demand for imported rice in urban areas. Post revised MY 2012/13 rice imports to 160,000 MT as better domestic production reduced the need for imports. Pakistan is the leading supplier of rice to Afghanistan, accounting for more than 95 percent of the market, and will remain the low cost supplier of Afghan rice imports for the foreseeable future. Afghan traders imported 950 MT of rice from India during MY 2011/12. According to Afghan traders, Indian rice would be more competitive with Pakistani rice if there was a shorter trade route. Rice imports will likely increase as there is limited land in Afghanistan that is suitable for rice cultivation.

## **CONSUMPTION**

Post forecasts MY 2013/14 rice consumption at 630,000 MT, a two percent increase from the previous year, which is the result of increased demand for rice in urban areas. In general, Afghan consumers prefer the imported Super Kernel Basmati "Sella" rice because of the taste and cooking characteristics. Basmati Sella rice constitutes 85 percent of total rice imports.

Per capita consumption of rice will continue to increase in future years because of rapid urbanization and rising per capita income. The growing Afghan middle class in urban areas are eating more basmati rice with lamb, chicken, and beef. Afghans cook the rice with raisins and carrots to prepare a famous Afghan dish called Qabuli Pulao. Rice imports will also likely increase as there is limited land in Afghanistan that is suitable for rice cultivation. Pakistan will remain the low cost supplier of Afghan rice imports for the foreseeable future.

## **RICE PRICES**

According to MAIL, the average price was 80 Afghani/kilogram (\$1.5/kg) for imported rice and 45 Afghani/kilogram (\$0.86/kg) for local rice during December 2012, which is slightly higher than the five-year average.

**Table 2. Afghanistan: Rice Production, Supply, and Distribution**

Rice, Milled Afghanistan	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	200	200	205	205		205
Beginning Stocks	0	0	0	0		0
Milled Production	338	338	350	460		460
Rough Production	520	520	538	708		708
Milling Rate (.9999)	6,500	6,500	6,500	6,500		6,500
MY Imports	250	250	260	160		170
TY Imports	250	250	260	160		170
TY Imp. from U.S.	0	0	0	0		0
Total Supply	588	588	610	620		630
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Consumption and Residual	588	588	610	620		630
Ending Stocks	0	0	0	0		0
Total Distribution	588	588	610	620		630
1000 HA, 1000 MT, MT/HA						