

**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 IV**

26 March 1999

To: Mark Pont, MCI/Quetta

From: Dick Scott, MCI/Lashkar Gah

Subject: 1998-99 Cotton Production

I made a visit to the Lashkar Gah cotton gin on 21 March 1999 to gather information on the last three years of cotton production in Helmand. There was one delay during the visit because they were selling cotton seed cooking oil to local people and the head of the gin apparently had to sign each application, not the most productive use of time for a cotton gin manager. Except for the Manager, who was Taliban, all other cotton gin administrators appeared to be and talked with the experience of long term gin employees. Most knew a friend of mine, Mr. Alex Robertson, the last chief-of-party of the U.K. technical assistance team before the war.

In questions on the oil and the fact that before the war some portion of the oil was given to the cotton producers, one person indicated that most of the oil now went to the army. Cotton farmers do not receive any of the by-products of the cotton they bring in, which includes oil, seed cake for animal feed, and soap.

All cotton gin employees were said to be paid the same, 600,000 afs. per month, from watchmen to engineers. This comes to \$14.35 U.S. at present Kandahar exchange rates. Not a happy circumstance. This information was offered by an engineer outside the office while being questioned.

Before the war, the cotton gin used to sell cotton to Germany, Japan, China and probably England, because the technical assistance team was from the U.K. as was the funding for the

gins' construction, both Lashkar Gah and Girishk. These days all the cotton apparently goes to Pakistan where, it was thought, the cotton was resold on the international market. They thought that they could get a better price on the international market than from Pakistan but they did not know how to get into the international market. They need help and they asked for it. Several persons have made this request at different times, including the Governor, the president of HAVA and the head of the Foreign Affairs office in Lashkar Gah.

The gin administrators said that all the proceeds from the gin remained with the gin. They did not have a separate budget from a central fund nor did the funds from cotton sales go to some central fund. All expenses are paid by the proceeds from the cotton sales: salaries, operating costs, etc. I did not think to ask if they were paid for the oil by the army.

The cotton gin had a fire on the grounds this fall that burned some 800 tons of processed cotton. I had heard about this fire on my arrival to Lashkar Gah in December and asked about the damage.

The cotton gin production figures are given below:

All numbers are in metric tons.

	Seed Finished Distributed	Cotton Purchased	Seed Cake	Oil	Soap	Cotton
1996	299	3808	990	384	20	1028
1997	249	6075	1681	591	37	1640
1998	292	9024	2528	880	55	2527*

\* This is an estimate based on raw cotton on-hand which is still being processed.

350 tons of seed are planned for distribution for this year, April 1999.

When it was pointed out that the seed distribution remained relatively constant but production increased by roughly 62 and 67 percent in each of the years, they suggested that water

availability was probably one of the variables. They indicated that seed is sometimes used for animal feed when they don't plant it. Given the delayed payments made this year as a possible influence on production, they did not speculate on what the farmers would do but said it was an unknown. They are paying the farmers for the cotton as they make sales of the processed cotton from this year.

Relative to the 1998-99 figures, it was noted that 292 tons of seed would plant 41,714 jeribs of land using average planting figures. But 9024 tons of cotton could be produced on 45,120 jeribs of land. If this is correct, then the farmers are getting seed from sources other than the cotton gin where it is free distribution or they are using seed held from the previous year. Or the figures are wrong. These figures do not take into consideration the amount of cotton being processed locally by 3 to 5 small local privately owned gins. A sizable but small percentage of Helmand cotton is likely being processed by these small gins. Given time, the level of this production could be estimated but it would take time to get the confidence of the gin owners. Their gins have been forbidden in the past by the Taliban, according to sources in a 1997 visit to Helmand.

Cotton is a long term and still viable cash crop and industry in Helmand in competition with poppy. In contrast with the production of the early 1990's when cotton production was being reduced to a fraction of what it is today, cotton production is continuing to grow. The production figures are still less than one third the pre-war levels, if my memory is correct but growing in competition with poppy. Raw opium prices were said to have more than doubled in the past year. Cotton prices paid by the cotton gin have increased perhaps at a rate to keep up with inflation. The growth in cotton production signals that the farmers still see cotton as a viable cash crop but the administrative delays in payment to the farmers for the crop will have a negative effect at some point.

The down side in the equation is that poppy and cotton can be and is doubled cropped. Poppy grows in the cool season, cotton in the hot season. Full season cotton planted in April produces more than the late planted poppy double cropped cotton but it is an agriculture pattern. Cotton production of the late planted cotton depends on the timing of the first frost. This year was very mild.

In these circumstances, MCI, as well as all other aid and narcotics agencies, should put more of their energies into agriculture activities in support of cotton in the Nad-i-Ali, Marja and Shamalan areas. These are the primary cotton producing areas in Helmand. (It was noted by one long term administrative staff member of the gin that these areas already row plant their cotton for better production.) They are also the primary and expanding opium producing areas. They are also the areas most aware of the impending change coming relative to poppy signaled by public Taliban statements during this work season. They are also the areas where narcotics production was forbidden in the past, at the times of the King and Daoud. With outside technical and agricultural help, opium poppy production can be reduced and eliminated in these areas in collaboration with the Taliban. But, keep in mind, nothing will change without Taliban involvement.

The recently imported watermelon and cotton seeds are a first small step. Except for the FAO wheat program, which is not an alternative crop for poppy, and a fruit tree program in competition with a lot of fruit tree sources in the region, nothing has been done of any significance to compete agriculturally with poppy.

As a side note, there is a persuasive rumor being circulated even among the Taliban that the wheat program ran out of quality wheat, bought wheat on the local market, cleaned it and resold it for quality wheat at higher than local prices.

Highly visible actions in agriculture must be taken to catch the attention of both the farmers and the Taliban. To date we do not have their attention in this field. They must understand that we are taking positive action in this field. A strong public relations element must accompany the development actions. The impression and known details of development action is perhaps as important as the action itself. But positive and real development actions are necessary in agriculture to accompany the work on the Boghra canal and its branches if opium poppy production is to be effected. And, again, nothing will happen without Taliban involvement. They, along with the farmers, must understand that development actions that will increase the incomes of the farmers are taking place.

Cotton should be the primary focus of these development actions for an alternative cash crop to poppy. It is a crop the farmers know and understand. There is a ready local and international market. And there is the infrastructure already in place to process this farm product. But all elements of this equation are in need of help: agriculturally, gin rehabilitation, technically and marketing.