AFGHANISTAN Food Security Update — September 2007

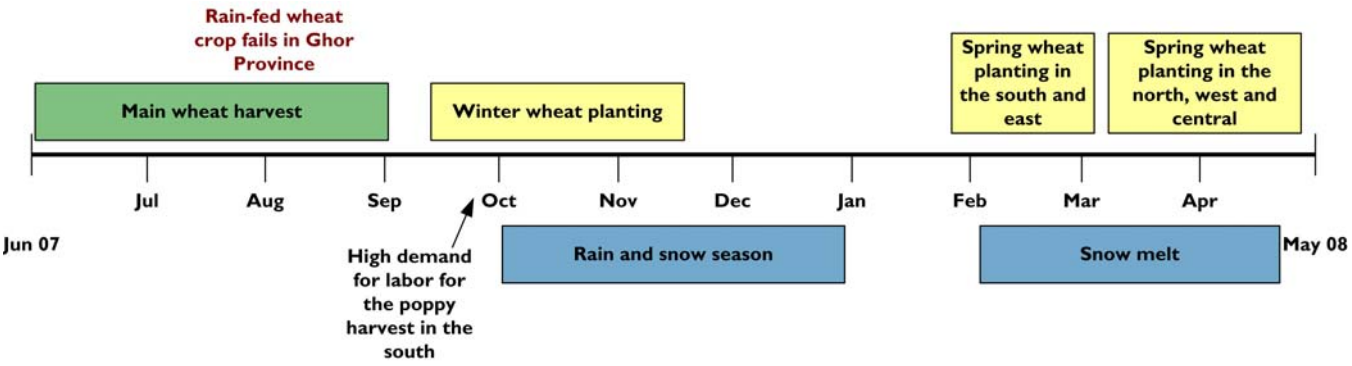
- Much of northern and western Afghanistan, especially Balkh, Baghlan, Kunduz, Takhar and Hirat provinces, produced an above-normal wheat harvest in May and June this year. However, many farmers in these areas continue to face limited access to markets to sell their surplus wheat production.

- In Ghor Province, the rain-fed wheat crop was severely damaged this year by a long winter, which resulted in late planting, and a lack of improved seeds, to the point of total crop failure in many areas. Food assistance will likely be needed during the hunger season from December to April, and a rapid vulnerability assessment with full details of the local impact will be released soon.

- Climate forecasts indicate a 40 percent likelihood of below-normal precipitation in Central Asia and Afghanistan from November through January, the main wet season in the region. Below-normal precipitation would likely have a negative effect on the 2008 wheat harvest. Additionally, normal to above-normal temperatures are expected through December, which may lead to early snow melt and flooding in 2008.

- Wheat prices are near normal in most of Afghanistan. Prices are slightly below the prices at this time last year in markets in the north where 2007 production was above normal. In the south, wheat prices are slightly above their levels last year. This region depends on imported wheat for most of its supply, and increased prices of Pakistani wheat and high transportation costs related to increased fuel prices have led to the rise in prices. In Badakhshan Province, prices this year are nearly double the price of wheat at this time last year, significantly limiting household food access.

Seasonal calendar and critical events



Current food security conditions

Food security conditions vary throughout Afghanistan, depending on livelihoods and geographic location. In northern and western Afghanistan, particularly in Balkh, Baghlan, Kunduz, Takhar and Hirat, food security conditions are good, as above-normal precipitation in the 2006/07 wet season occurred that resulted in favorable conditions for agriculture and enabled an above-normal harvest in May and June in these areas.

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In the south, persistent years of drought have weakened production systems, and several consecutive years of good precipitation will be needed to enable an average harvest. However, the water table improved significantly in this region as a result of the rainfall from November 2006 to April 2007, which has increased access to water for drinking and irrigation. In areas of southern Afghanistan where the May and June poppy harvest was good, farmers were able to receive sufficient income from the sale of the crop, and their household food security is good. However, food security is deteriorating for those households that rely on labor migration to Iran and Pakistan for their income and livelihood. Iran continues to deport Afghan laborers, although at a slower pace than was initially expected, and the worsening political situation in Pakistan is negatively affecting job opportunities for Afghans in Pakistan.

In Ghor Province in the western central highlands, the 2006/07 wet season was severe, with above-average precipitation that caused snow to cover the surface of land longer than normal. As a result, the rain-fed wheat planting was significantly delayed, which led to little to no yields in the wheat harvest in the region. A lack of disease- and temperature-resistant seeds exacerbated the impacts of the late planting to further reduce yields. As a result, food assistance is expected to be needed during the hunger season from December to April; the results of a rapid assessment by FEWS NET and WFP will provide more details and will be released in early October.

In areas where an agriculture surplus was produced, primarily in northern and western Afghanistan, households are earning limited income as a result of insufficient access to markets to sell their agricultural products. These regions are a long distance from the deficit-producing areas in the south, and transportation is poor, increasing the transportation cost of selling wheat in markets in the south where demand is high. Additionally, Afghan wheat production is not competitive with other countries in the region, due to high costs of labor and imported inputs and the effective export subsidies of neighboring countries, which further limits Afghan producer households' ability to market their wheat. Recently, however, international fuel prices have gone up, increasing the prices of imported goods, and wheat prices in Pakistan have also increased, which could raise demand for local agricultural products. In the past two months, fuel prices almost doubled, from Afs 32 to Afs 55 per liter, largely as a result of restrictions on the export of Iranian oil into Afghanistan. Due to the recent Pakistani wheat and rice exports to Iran, India and the United Arab Emirates, prices increased slightly in Pakistan by about 1 Pakistani rupee per kilogram (approximately equal to 1 Afghan shilling). The potential resultant increased demand for local agricultural products may increase profit margins for Afghan wheat producers.

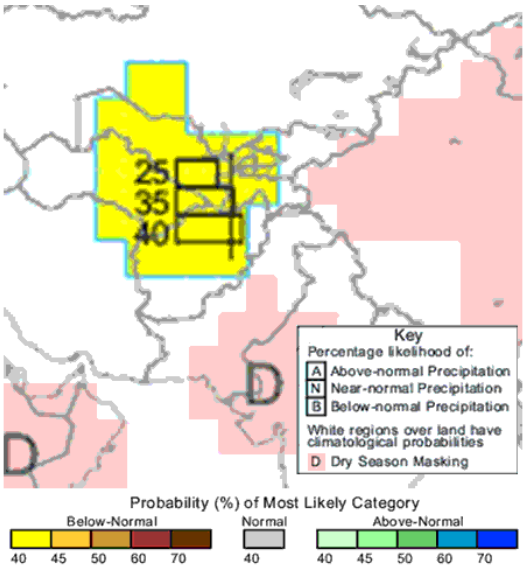
However, as the main food security problem in Afghanistan is a lack of economic access to food rather than food availability (with exception of the central highlands, where availability is also problematic), the increase in food prices will have a significant negative impact on the purchasing power of most Afghan households. This decrease in purchasing power will be exacerbated by the scarcity of employment opportunities in Afghanistan, particularly in rural areas. The ongoing deportation of Afghan laborers from Iran is further increasing competition for the already limited income-earning opportunities.

Climate outlook

According to the International Institutes for Weather Prediction, there is high probability of normal to below-normal precipitation in the upcoming 2007/08 wet season in Central Asia, including much of Afghanistan (Figure 1). There is a 40 percent likelihood of below-normal precipitation from November through January, which could lead to below-normal production in the region.

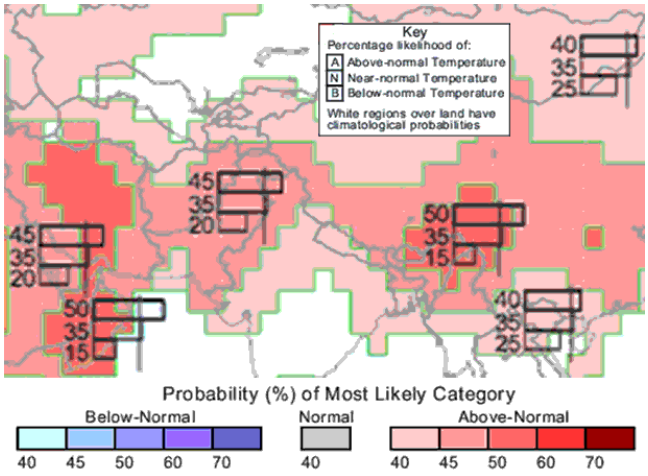
In addition, the temperature is forecast to be normal to above normal during the upcoming winter from October to December 2007 (Figure 2). High temperatures may result in early snow melt in March, April and May 2008, and ultimately lead to water scarcity and flooding in different areas.

Figure 1. Precipitation forecast, Nov 2007 through Jan 2008



Source: International Institutes for Weather Prediction

Figure 2. Temperature forecast, Oct through Dec 2007

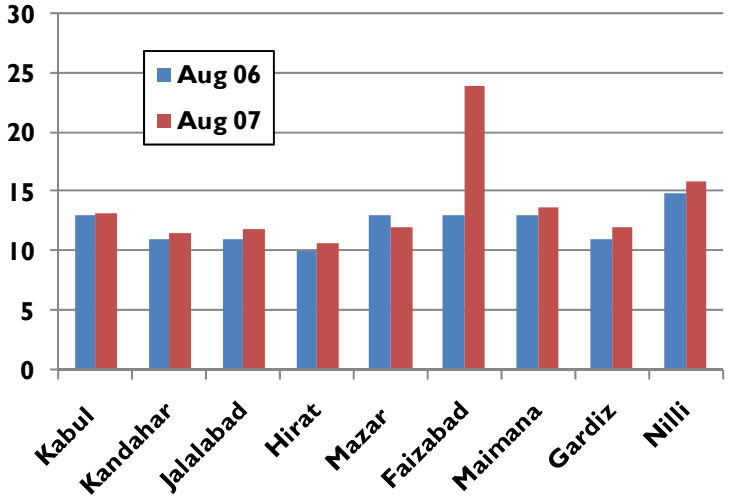


Source: International Institutes for Weather Prediction

Market prices

Wheat prices in most markets throughout Afghanistan are similar to the prices last year at this time. In August, market wheat prices in Mazar, a major market center in northern Afghanistan, were slightly lower than in August 2006, which reflects the impact of the above-average harvest in the north (Figure 3). In southern Afghanistan (see Gardiz, Kandahar and Jalalabad in Figure 3), prices in August of this year were slightly higher than in August of 2006. This increase is a result of the increase in Pakistani market wheat prices, as well as the increase in associated transportation costs, as these areas are generally deficit in wheat production and rely on imports for local supply.

Figure 3. Wheat prices in select markets, in Afs/kg



Source: WFP Wheat Market Prices

However, market wheat prices in August 2007 in northern locations such as Badakhshan that are food deficit and have poor road conditions have increased significantly, more than double in comparison to August 2006 market wheat prices (see Faizabad market in Figure 3). Badakhshan is located in the extreme northeast, and the households in the province are chronically food insecure and unable to produce sufficient food even in good agriculture years. The price increase is a result of increased transportation costs that are associated with the increase in fuel prices in Afghanistan.

In 2008, the potential poor harvest in the Central Asia region as a result of possible below-normal rainfall could put an upward pressure on prices in the region. This would have a direct impact on prices in Afghanistan, as national supply is predominantly composed of imported wheat. Additionally, Afghanistan has little to no storing capacity with which Afghans could store this year's agriculture surplus and sell it when wheat is scarce to stabilize prices.