MARKET BASELINE SURVEY

Fruit and nut traders in Central and Northern Afghanistan

Final report

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Market Baseline Survey

in eleven Focus Districts

in Central and Northern Afghanistan

ABBREVIATIONS

Afs.	Afghani (national currency; 50 Afs. = 1 US Dollar)
ASAP	Accelerate Support Afghan Project
FD	Focus District
GM	Gross Margin (Sales price minus Purchase price)
GTZ	German Technical Cooperation
GVCP	Grape Value Chain Project
HIG	Horticultural Interest Groups
HLP	Horticulture and Livestock Project (of MAIL and WB)
IPM	Integrated Pest Management
MAIL	Ministry of Agriculture, Irrigation and Livestock
MBS	Market Baseline Survey
NM	Net Margin (Sales price minus Purchase price and Direct costs)
RoP	Roots of Peace
PHDP	Perennial Horticulture Development Project (EU-funded)
Seer	Unit of weight equalling 7 kg
WB	World Bank

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EXECUTIVE SUMMARY

In the context of the HLP programme 147 traders in the eleven Focus Districts of the programme were interviewed for this Market Baseline Survey.

Findings
The surveyed traders are involved in a range of crops, yet apples, grapes and almonds are very dominant. Apricot, peach and pistachio are of secondary importance. On average traders handled 62 tonnes in 2007 and 84 tonnes in 2008 (35% increase). In USD their turnover was resp. 48.000 and 68.000 USD (40% increase). Their average total Gross Margin was resp. 6.300 and 9.100 USD and the Net Margin is 40% of this: 2.500 USD in 2007 and 3.500 in 2008. Gross Margins for fruits were 19% in both years. For nuts it was resp. 11 and 12%. Net Margins were 7 % of the purchase price. This excludes overhead cost, so the net profit is smaller.

Most fruit traders simply pass on the produce from farmers to consumers (45%) or to provincial towns (35% via traders and retailers). Fifteen percent goes to traders in Kabul. Export is rare. Nut traders sell only 12% locally and 40% to Kabul. Another 30-40% goes to provincial towns.

Investments in value adding activities are only 5% of the costs of raw materials; for fruits this is 10%, for nuts only 1-2%. About half the fruit traders engage in grading and one third in packing. In about one third of the cases traders transport the fruits from the farm and to the next buyer. Only 8-17% of the fruits is stored. Nuts traders are less involved in transport, but slightly more in packing and more in storing. Larger traders in bigger towns invest more in adding value, yet there margins are not better. Competition on urban markets is on price (not on quality) so traders accept low margins and focus more on increasing their turnover. Another dimension is that adding value to poor quality produce is not economically attractive in any case.

In terms of market perspectives, traders' assessments were most optimistic about apples and almonds. The price outlook for Satarbeie, Qahar baie and Abdul Wahidi almonds are good as well as for Golden delicious, Red delicious and Red chief apples. From the other crops only Kagahzi walnuts and Singhulkani grape scored well. In terms of expected future demand the almonds Satarbaie, Murawaji and Qahar baie were in the top, together with Golden delicious and Red Chief apples. Taifi grape also scored well, as did Amiri apricots. These are however national averages scores and the situation can differ considerably per FD.

Traders are not able to articulate the standards for grading any produce. This means farmers have no incentives to produce high quality products that meet such standards. This is a regional problem as also major markets in Pakistan and India do not work with quality standards.

The main constraints cited by traders are lack of money to finance the business and insufficient storage capacity. Poor infrastructure leads to constraints are important as well: poor electricity, water supply and roads. Traders in main towns complained that the physical market was very poor. Traders also report a lack of market information, although virtually none is willing to pay for it. The few interested ones want international market information.

Despite that the traders have many issues in common, there are also clear differences between the traders in the FDs': five FD are near to one of the four main towns in the area or to the road connecting these. These are labeled A-markets. Six others are satellite markets delivering to these A-markets . The turnover of traders there is much smaller; but the Gross Margin is higher (21% versus 13%). Net Margins are similar for A- and B-markets. The large traders from provincial towns proved more efficient than the much smaller traders in district towns.

Conclusions

Looking from the perspective of farmers supported by HLP we see that 55% of the marketed fruits remain in the district, 25% moves to the province and 20% to Kabul or for export. Most fruits that reach Kabul have passed the hands of at least two traders: one in the districts with a Gross Margin of 25% and one in the province with a GM of 15%. Wholesalers in Kabul operate with a 10% margin and retailers with GM of a 40-50%. The latter is needed as they finally have to sort out the poor quality produce; the key-problem and the main risk for all actors in the chain. So all in all the price of fruits easily doubles between the farm gate and the final consumer.

For nuts the situation is better as the margins of the traders are smaller while the chain seems shorter. Farmers can more easily deliver their produce to traders in the provincial capital who can more easily ship it to Kabul or for export.

Recommendations for HLP

If HLP supports farmers to increase production, marketing will become a problem and the prices will be under pressure. Under these circumstances the first thing to do is to assist farmers in improving the productivity (read: their efficiency) and in improving the quality of production. This is already the core of the HLP work today. In addition to this, HLP is recommended to:

1. Assist farmers in marketing their products to provincial level trader in order to shorten the value chain (by by-passing the inefficient district level traders)
2. Assist these provincial traders in identifying attractive markets for the high quality produce. This could mean assisting them to add more value to the produce.

In practice this means that farmers groups in the FD have to be assisted in making a marketing plan for their area. The first step is to decide on the priority crops and varieties. The present FD-reports can be used as a starting point for this discussion. Information on the present productivity and the potential to improve productivity and quality has to be brought in the discussion as well. The second step is to link farmers group to provincial level traders. Both partners have to agree on the quantity and quality to be traded and on the delivery terms (timing, quality inspection, transport, payment, etc.). HLP can facilitate this by offering market information, training, and exchange visits, as well as some seed money for pilot activities and quality measuring devices.

The same approach will be followed with the provincial level trader. A marketing plan will be made on how they can make the best margins on the (quality) produce from the FD. HLP will offer market information, training (on all possible issues) and exchange visits. The main source of information for HLP will be weekly visit to Kabul market to record the prices of the main potential varieties and the marker trends in terms of supply, demand and prices. Other sources are the experience of the HLP-Value Chain projects. Like the present one on grapes and the planned one on stone fruit (and many apples).

The aim for 2010 is to create four grape marketing groups and for 2011 another four for grapes and 2 for apples and almond each. To achieve this some pre-conditions need to be fulfilled:

- On the job training of the present marketing coordinator and support of HLP in his efforts to set up a network of informants among traders and projects in Kabul
- Small funds to assist farmers and traders in pilot activities (e.g. to measure sugar levels, improved boxes or registering a trademark). Although the main support is 'software' (information, communication, planning) some 'hard support' is needed in order to gain trust and credibility of the stakeholders.
- Close cooperation with other HLP components. The extension staff has to supply the training on quality. With FOD clear arrangements are needed to avoid overlapping of activities are the creation of confusion on the side of farmers. There is no need to

formalise farmers group at this stage. If and when groups have operated successfully for two years the need an possibilities to formalize groups can be assessed.

PART I

General report

on the eleven Focus Districts

1   INTRODUCTION

Objectives
The HLP project has been working on a number of ways to support farmers with perennial horticultural crops. Most attention has been focused on supporting them in improving production via orchards establishment and orchard rehabilitation. Direct support is provided and new technologies are promoted. To channel this support, Horticultural Interest Groups (HIG) have been created in eleven selected Focus Districts in Central- and North Afghanistan. The HIG are further grouped into Horticultural Clusters (HC) that focus on one crop. Presently HLP has 24 of these clusters through which they reach some 15.000 households.

The work with these farmers focused on increasing orchard productivity. For this some 130 extension workers are employed, who's work is coordinated by a 14 provincial level coordinators who again work on two regional coordinators (in Kabul for Central and in Mazar for northern Afghanistan). So far the project paid little attention to marketing issues. Yet, as time goes by and orchards planted after the fall of the Taliban start to produce more fruits and nuts, the question comes which of the fruits and nuts has better chances on the market. Secondly the question arises whether HLP should support the marketing of these crops and if so, how? These are not mere theoretical issues; the first wave of enthusiast apricot farmers near Kabul are uprooting these now and replacing them with apples as this has a better market (one reason being that apples withstand the transport over poor roads better).

With this in mind the Market Baseline Study (MBS) was designed. It serves two main purposes:
- To create a benchmark for the present situation in the Focus Districts in terms of the marketing of perennial crops.
- To generate ideas on what HLP can do to improve the marketing of perennial crops.

Approach
The MBS was implemented in eight steps:
1. Design questionnaires for primary and secondary traders in the FD.
2. Field test the questionnaires in three pilot FDs (in Pansjher, Kapisa and Balkh)
3. Adjust the questionnaire and write a Field Manual
4. Implement the questionnaire in all remaining eight FDs
5. Supplement the data with interviews with eleven Kabul based traders.
6. Analyse the data and write a draft report on the findings and recommendations.
7. Discuss the findings and recommendations with HLP and some key-stakeholders
8. Final report with a separate summary with recommendations for action by HLP.

The adjustment of the questionnaire after the pilot in three districts means that on some issue no data are available form these pilot districts. In the Field Manual one can read the questionnaire used to interview traders. Here we focus on the main dimensions of the MBS:
- Traders and their business: what are the main activities of traders?
- Business volumes: what was the turnover of the traders for the main perennial crops and what were the Gross Margin on these?
- Market trend: which crops and varieties have been in supply and demand in the last few years and which are expected to be so in the next few year?
- Purchasing process: How do the traders purchase the produce: from whom and on what conditions? And what are their problems in this process?

- Value adding activities: which value adding activities do the traders undertake and what are the costs of these?
- Sales process: to whom do they sell and how? What are the problems in selling? How do traders know market prices and are the willing to pay for market information?
- Constraints traders face and the improvements they are working on themselves.

These six major dimensions are used to described the marketing system in each FD. Part II of this report gives the details per FD. In Part I the main lines are elaborated, based on the both the common elements of the FD as well as the differences between them.

As always, the methodology has its limitations. First of all, in the Afghan reality of today it was not possible to create a proper sampling framework. There are no lists of traders available from which one could select a sample randomly. So during field visits first of all the Department of Agriculture and the HLP-staff were visited and the Chamber of Commerce if possible. They were generally helpful in identifying some traders, but they were not able to provide anything that could serve as a sampling frame.

Secondly a standard questionnaire is a rather blunt tool to identify and understand the reasons and motives for the behaviour of traders. The more so when the members of the survey team are not specialists in marketing. Standard questions lead to standard answers. For benchmarking the situation in the FD's this is positive; clear differences were found between the FD's and when the same methodology will be applied in a few years the results could be very useful in assessing the changes that have taken place (or not). On the side of generating ideas to improve the marketing situation standard question are less useful.

A third issue is that traders are reluctant to disclose information on their businesses for fear of tax department or competitors being informed. Also in the FD the attitude was not always fully welcoming; it seems HLP has a reputation of more talking then action. The fact that the surveyors came with a recommendation letter of MAIL was supposed to assist them in smoothening the dialogue, but this was not always the case. In most FDs the team managed to minimise this problem trough a careful wording of the aims of the exercise and many traders ended up being happy that they could express their concerns. In Kabul it proved more difficult. Traders here are interviewed too often; they have told many people what needs to be done and they want action; not another survey.

A fourth issue is intrinsic to the marketing as such: in the marketing of perennial crops there is no simple system of *who* buys from *whom*. There is very little specialisation. Traders can be farmers at the same time; traders sell to each other and the same traders who sell grapes produced by farmers of the area to outside can start to import grapes six weeks later. So to map '*who* sells *what* to *who* and *when* and at *what price*' is too complicate to capture via a questionnaire. It would need a more in-depth qualitative approach. So the data presented are averages on the main stream of the products. By clustering the markets into a simple hierarchy (see below) it proved still possible to get an overall picture of what happens along the value chain when the produce moves from the farm gate up to Kabul and export markets.

A last limitation is that it proved impossible to deal with quality issues. In the pilot questionnaire traders were asked to describe the quality standards for the products. The answers were very simple and not useful; often first quality is characterised as "sweet" and second quality as "not sweet"; or the shape as "good" or "bad". This does not mean that no distinction is made between poor and good quality produce. Obviously traders pay more for better fruits. Yet, they are not able to articulate the criteria that they use and, consequently, what the price differences are between different qualities. A lack of standards means that there are no an incentives for farmers to

produce high quality products that exactly meet such demands. This problem is embedded in the market culture of the region. While normally export drives the development of quality criteria, in the case of Afghan fruits and nuts this does not happen as exports markets in Pakistan and India are also operating with spot-markets (auctions) in which immediate market needs prevail over quality standards. This means that top players in the market (supermarkets in Pakistan and India) either have to making their own standards and enforce these via supply-contracts or have to rely on import simply for the sake of uniformity and compliance with standards. In both ways small farmers are excluded from these markets. So as such, developing quality standards is a regional concern for all farmers in which Afghanistan has to cooperate with India and Pakistan.

In order to counter these weaknesses additional information was solicited from within HLP; particularly the information from Grape Value Chain Project implemented by Roots of Peace was very useful in this respect.

2   FOCUS DISTRICTS SURVEYED

The graph shows the location of the FDs, all in Central- and Northern Afghanistan.

Map: the location of the Focus Districts in Central and North Afghanistan
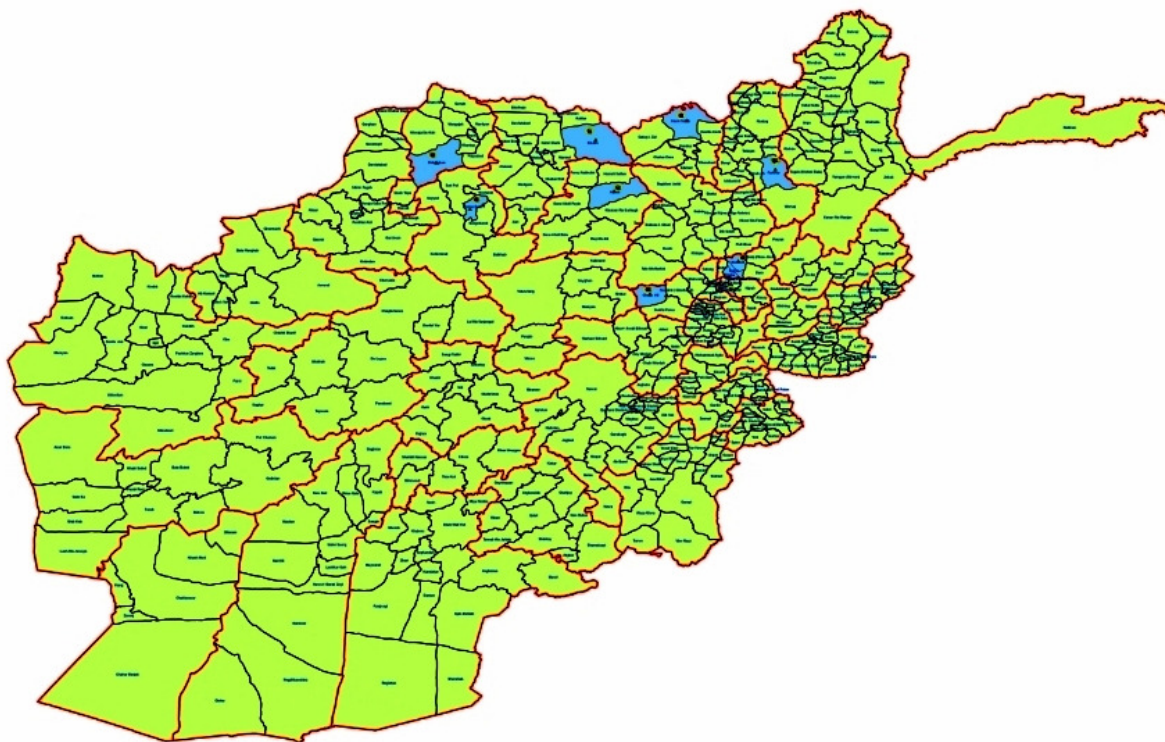
Although there are eleven FDs, traders from seventeen districts were interviewed as in three cases traders from the provincial capital were interviewed as well, and in two cases traders from a neighbouring district.

In trying to understand the marketing process one has to characterise the relations between markets. In Central and Northern Afghanistan, Kabul market is the central hub. Next there are three major towns: Mazar, Pul-e-Khumri and Kunduz which are hubs for large areas, covering

several provinces. Below them we have provincial markets and they are again fed by district level markets. In this study two types of market are distinguished. A-markets are those which are near to these four major towns and/or near the national road that connects them. In practice we refer to Mir Bacha Kot, Mahum Raqi, Pul-i-Khumri, Aybak and Khulm. B-markets are satellite markets to these major markets. This refers to provincial capitals Shibirghan and Bazarak, and the district towns of Shekh Ali, Fakhar, Sozm Qala, Imam Sahib.

The next table gives an overview of some key-characteristics of the districts surveyed. In total 147 traders were interviewed; 70 on A-markets and 77 on B-markets.

Table 1: Overview of the districts visited

Code	Province	District	Category	Nr. of traders	Distance to Kabul	Distance to main town
1	Kabul	Mir Bacha Kot	A	11	30	30
2	Kapisa	Mahmud Raqi	A	12	100	100
3	Baghlan	Pul-e-Khumri	A	16	180	0
4	Samangan	Aybak	A	15	260	150
5	Balkh	Khulm	A	16	320	20
6	Parwan	Shekh Ali	B	6	125	125
7	Pansjher	Bazarak	B	12	160	160
8	Kunduz	Imam Sahib	B	16	315	75
9	Takhar	Fakhar	B	17	385	145
10	Saripul	Sozm qala	B	12	425	180
11	Jawzjan	Shibirghan	B	14	450	140

3   TRADERS AND THEIR BUSINESS

To get an impression of the type of business that the traders are operating, they were asked to categorise their business activities shortly. The next table gives the results of all 147 respondents.

Table 2: Main business activities of the respondents

Activity	Major activity	Minor activity
Farming	20	42
Shopkeeper trading fruits, nuts	78	4
Trading buying directly from farmers	60	6
Buying from local traders	11	0
Fruit/Nuts/Dried fruits Commission agent	5	16
Nuts' trading	19	16
Dried fruits' trading	6	16
Input supply	20	42
TOTAL	**205**	**125**

The categories were not made mutual exclusive, as this would simplify the complex reality too much. Indeed traders are involved in a range of activities. Although for many trade in fruits and nuts is a major activity; it is not for all. The single most important activity is that of 'shopkeeper'. Both 'farming' and 'inputs supply' are undertaken by 40% of the traders. Only 21 are commission agent (15%), and for only 5 (3%) this is an major activity.

The next table shows which percentages of the traders is dealing with which products and the volumes they in 2007 and 2008.

Table 3: Turnover of the traders per crop

Produce	Total volumes (seer)		% of crop (in volume)	% change in 2008	% of traders involved
	2007	2008			
Apples	405,875	692,758	36	71	53
Apricot	50,320	66,052	4	31	35
Cherry	8,000	9,000	1	13	1
Grapes	355,565	432,050	26	22	54
Mulberry	300	535	0	78	2
Peach	20,020	36,270	2	81	8
Pear	3,950	5,050	0	28	3
Plum	200	1,000	0	400	1
Pomegranate	15,240	12,410	1	-19	7
Melon	173,730	195,400	12	12	20
Watermelon	147,460	191,140	11	30	15
Almonds	64,762	79,372	5	23	35
Apricot kernel	4,050	5,160	0	27	5
Dried apricot	154	380	0	147	1
Pistachio	9,918	11,364	1	15	11
Raisin	46,026	27,786	2	-40	7
Walnut	7,370	9,070	1	23	9
TOTAL	**1,312,940**	**1,774,797**	**100**	**35**	

We see that apples and grape are the most important fresh fruits with resp. 36 and 26% of the volume of the turnover. Over half of all traders deal with these. Although only resp. 20 and 15% of the traders deal with melon and water melon, they represent 12 and 11% of the total volume. Apricot is special in the sense that 35% of all traders are handling it, yet the total turnover is rather low. Almonds are the most important nut, followed by raising and pistachio.

In 2007 the traders dealt with 62 tonnes on average; in 2008 this had risen to 84 tonnes; an increase of 35%. The biggest increase came from apples. Grapes increased as well, but much less. The turnover of raisin decreased substantially as fresh grape prices were good in 2008 (so farmers did not need to turn them into raisins).

Combining the data on the turnover with the Gross Margins, we can see how much the different crops contribute to the overall gross income of the traders.

Table 4: Financial turnover and Gross Margin per crop

Product	2007 Total turnover (1,000 Afs.)	2007 Gross margin (%)	2007 Gross margin (1000 Afs.)	2008 Total turn-over (1,000 Afs.)	2008 Gross margin (%)	2008 Gross margin (1000 Afs.)	% of gross income per crop (2007 and 2008)
Apples	74,559	18	11,515	136,291	19	21,536	29
Apricot	8,669	25	1,732	12,734	22	2,280	4
Cherry	1,800	7	120	2,205	9	180	0
Grapes	57,735	19	9,178	78,762	18	12,062	19
Mulberry	91	6	5	264	17	39	0
Peaches	10,309	24	2,016	13,166	22	2,346	4
Pear	80	16	11	171	14	21	0
Plums	46	18	7	250	15	33	0
Pomegranates	3,486	32	851	2,903	12	307	1
Sub-total	**156,775**	**19**	**25,435**	**246,746**	**19**	**38,804**	
Melon	7,177	23	1,346	10,420	19	1,660	3
Watermelon	8,699	29	1,948	10,524	32	2,526	4
Sub-total	**15,876**	**26**	**3,294**	**20,944**	**25**	**4,186**	
Almonds	116,344	12	12,418	155,466	12	16,446	26
Apricot kernel	4,677	16	631	6,690	17	978	1
Dried apricot	58	9	5	159	10	14	0
Pistachio	33,887	8	2,597	43,503	11	4,393	6
Raisin	19,741	7	1,294	15,180	7	948	2
Walnut	3,703	21	636	4,979	18	764	1
Sub-total	**178,410**	**11**	**17,581**	**225,977**	**12**	**23,543**	
Overall total	**351,061**	**15**	**46,310**	**493,667**	**16**	**66,533**	**100**

Note: This table is based on adding up the data of all transaction of all traders; so large transaction count more than small transactions. The GM is percentage of purchase price.

In financial terms apples, almond and grapes are the most important crops by far with resp. 29, 26 and 19% of the Gross Margin. Of secondary importance are pistachio, apricot and peaches with around 5% of the overall Gross Margin.

There is a clear difference in GM between fruits (19%), melons (25-26%) and dried fruits and nuts (11-12%). The 147 traders had an average turnover of resp. 2.4 and 3.4 million Afs. in 2007 and 2008 (resp. 48.000 and 68.000 USD). The average total Gross Margin was resp. 6.300 and 9.100 USD. There are substantial differences between the types of markets; as this table shows.

Table 5: Differences in volume and GM of major crops between A- and B markets

Produce	Volumes per trader (1000 seer) A 2007	A 2008	B 2007	B 2008	Gross Margin (% of purchase price) A 2007	A 2008	B 2007	B 2008
Apples	3,117	6,550	2,154	2,447	13	13	27	36
Apricot	292	354	361	504	22	18	27	25
Grapes	3,054	3,978	1,563	1,633	19	18	19	18
Almonds	649	817	192	214	11	11	15	16
Overall	**10,931**	**15,788**	**6,121**	**7,261**	**13**	**13**	**20**	**22**

Note: the total does not tally with the total of the mentioned crops as it includes a range of other crops as well.

Traders on A-markets have a 75-100% higher turnover and their gross margin is lower for apples, apricots and almonds. Only for grapes there is no difference. The GM per trader in A-markets in 2007 and 2008 was resp. 8,000 and 11,800 USD; roughly double of their colleagues in B-markets who scored resp. 4.800 and 6.600 USD.

4   MARKET TRENDS

To identify the crops and varieties that offer the best opportunities on the market, traders were asked which of these are more or less supplied and demanded in the last few years and what they expect are for the coming years in terms of supply, demand and prices. They could score between -2 (less demanded, lower price) till 2 (more demanded and better price). The results are relevant at FD-level where they should be used in discussions with farmers on what crop and variety to grow. The full data are to be found in each FD–report in Part II. The next table only summarises the consolidated data over all eleven FDs. The focus is on the expectations of traders for the next few years. Annex I gives some more details than shown here.

Table 6: Expected market trends (average score from minus 2 till plus 2)

Crop	Variety	No. of traders	Supply	Demand	Price
Apple	Beruti	24	1.57	1.52	1.10
	Yellow (Zard)	31	1.74	1.73	1.12
	Maling	15	1.76	1.71	1.11
	Nazukbadan	12	1.64	1.57	0.50
Apricot	Amiri	37	1.67	1.74	0.74
	Qaisi	23	1.50	1.38	0.94
Grapes	Kishmishi	73	1.59	1.62	0.82
	Hussaini	56	1.36	1.66	0.87
	Taifi	22	1.73	1.77	0.90
	Singhulkhani	13	1.50	1.57	1.14
Almond	Satarbaie	24	1.88	1.88	1.45
	Abdul Wahidi	20	1.55	1.65	1.06
	Murawaji	9	1.89	1.88	0.70
	Qanbari	14	1.71	1.57	1.00
	Qahar baie	16	1.48	1.75	1.17
	Kagahzi	12	0.93	1.21	0.89
Raisin	Red (Surkh)	6	1.29	1.40	0.50
	Green (Sabz)	6	0.57	1.14	0.80
Walnut	Kaghazi	10	1.09	1.36	1.30
	Average		**1.50**	**1.58**	**0.95**

There is no apparent logic in the table in the sense that more supply and less demand does not automatically lead to lower prices. This is possible as prices do not only depend on local supply and demand, but on developments elsewhere as well. Traders can assess that the supply of Amiri apricots will increase and that demands increases even more, yet they can expect pressure on the price as other areas can produce the same apricots cheaper.

All expectations are positive. That supply will go up is clear as many orchards have been newly planted or upgraded in the last few years. That demand will increase is probably a combination of an expected continuation of the present trend and the wish to remain optimistic. Price trends are most difficult to assess and we see a less optimistic and more divers picture. The best way to interpret the table is to look at the data in relation to each other.

In terms of *price development* apples and almonds are doing much better than apricot, grapes and raisins. Satarbaie almonds and Kagahzi walnuts are doing best, followed by the only good grape (Singhulkani), three apples varieties (Zard, Maling and Beruti) and two more almonds (Qahara baie and Abdul Wahidi). In terms of *demand* all varieties score (very) positive; the same can be said about the supply, for nearly all varieties. On demand apple and almonds score well again. Satarbaie almond has the highest score, and two other almonds are in the top as well Murawaji

and Qahar baie. Taifi is the best grape, Amiri apricot scores well and so do Golden delicious and Red chief (Maling) apples. The well known grapes of Hussaini and Kishmishi score average.

These data can be very useful for farmers when considering which crops or varieties to plant. Yet, more issues come into play: farm gate prices and productivity. Maybe traders simply like a variety to be grown more as they can make better margins from it. In the next table we will see how these varieties perform in terms of prices and margins.

Table 7: Key data on most important varieties

	Variety	**Purchase Price (Afs. / seer)**		**Sales Price (Afs. /seer)**		**Margins (Afs. /seer)**		**Margin (% purchase price)**	
		2007	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Apple	Beruti	154	155	183	185	29	30	19	20
	Golden del.	155	159	199	201	44	43	28	27
	Maling	128	145	152	173	25	28	19	19
	Nazukbadan	169	196	201	231	32	35	19	18
Apricot	Amiri	150	152	184	189	35	38	23	25
	Qaisi	116	140	156	175	40	35	34	25
Grapes	Kishmishi	140	159	172	188	32	29	23	18
	Hussaini	168	185	197	215	28	29	17	16
	Taifi	183	192	208	218	24	26	13	13
	Singulkhani	181	194	201	213	20	19	11	10
Almond	Satarbaie	1,907	2,508	2,219	2,986	312	478	16	19
	Abdul wahid	1,037	1,148	1,227	1,299	190	151	18	13
	Murawaji	765	810	870	930	105	120	14	15
	Qanbari	1,646	1,562	1,794	1,723	148	161	9	10
	Qahar baie	1,472	1,591	1,717	1,882	245	292	17	18
	Kagahzi	1,367	1,506	1,520	1,681	153	175	11	12

Note: Margins are higher than in table 4, as they are the average of the averages per district. In table 4 the average was based on all transactions. Here B-markets with lower turnover get relatively more weight, and margins there are higher. It is not possible to calculated the average of all transaction at variety level as volumes per variety are not known.

The 2008-prices are well in line with the 2008 prices mentioned in the HLP- baseline report. There are substantial difference between varieties in farm gate prices: Nazukbadan apples, Amiri apricots, Taifi and Singhulkhani grapes, Satarbaie, Qanbari and Qaharbai almonds fetch higher prices. Some have good market perspectives as well; particularly the almonds and Sighulkani grapes. Nazukbadan apples have a poor market perspective and Amiri apricots and Taifi grapes have a mixed perspective (strong on demand; poor on price).

To fine-tuning the recommendations, a combination with productivity data is needed. The HLP-baseline survey has no data on apple, but it shows that Amiri apricot yields are higher than other varieties. So it can be recommended, although not all over the country; e.g. near Kabul farmers are uprooting Amiri apricots and plant apple. The explanation they give is that the roads are too poor to transport apricots. Yet, it is also possible that apricots from other districts are simply cheaper. As for grapes the next table was made, combining our data study with HLP-baseline data:

Table 8: Gross income per jerib from different grape varieties

	Av. Price (Afs./seer)	**Yield (seer/jerib)**	**Income per jerib (Afs.)**
Kishmishi	149	225	34
Hussaini	177	275	49
Taifi	188	168	32

Singhulkhani	187	412[1]	77

This table confirms Signhulkani to be the best bet by far for farmers due to it much higher yields; Hussaini being in second position. For almonds the next table gives an overview

Table 9: Gross income per jerib from different almond varieties

	Av. Price (Afs./kg)	Yield (seer /jerib)	Income per jerib (1,000 Afs.)
Satarbaie	2,208	26	58
Abdul wahid	1,093	29	32
Murawaji	788	37	29
Qanbari	1,604	20	32
Qahar baie	1,532	28	42
Kagahzi	1,437	47	67

Satarbaie is confirmed as an attractive proposition. Kagahzi comes in strongly; although neither its' price not its market prospects are very good, is provides the highest income per tree.

5   THE PURCHASE PROCESS

The first question is from whom the traders buy the produce.

Table 10: Purchasing process of fresh fruits

	Apples	Apricot	Grapes
From whom and when do you buy?			
From farmers I assists throughout the year	1	11	3
A few months before the harvest	0	4	2
Just before harvest time (I do the harvest)	8	6	15
I buy at the farm gate (after farmer harvested)	61	48	48
Farmers deliver to me after harvest	30	31	29
Farmers stores and delivers later	1	1	1
How is the price agree upon?			
I assess the yield and buy orchard for a fixed price	6	18	9
We agree a price/ser and measure total produce	55	47	60
We agree price/ser *for each grade*	8	7	6
Prevailing market price at time of purchase	31	28	26
Is there any contract?			
Yes, a written contract	2	15	13
Yes, an oral contract	6	2	5
No contract	93	84	82
When do you pay?			
I pay in advance	4	3	3
I pay when I get the Product	86	86	90
I pay later	10	11	7

Most produce is bought at the farm gate; about one third being delivered to traders. Some fruits are bought from the orchard in a system whereby traders assist farmers throughout the year or where they pay an advantage a few months before the harvest. This practice is widespread with grape farmers in Shomali plains; in the FDs it was mostly found in Khulm and Shibirghan (and very rare in Imam Sahib). Some people are afraid that this practice might hinder the development of a proper price as farmers are too much dependent on the traders. On the other hand traders do support farmers to get trough winter and they are taking a risk by making pre-payments. A RoP

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[1] For Signhulkani only the 2007 yields are used as the 2008 yield was very high, but based on only 5 observation

report on the GVCP indicates that in 2009 this worked out advantageous for farmers. When grapes prices in Pakistan were under severe pressure and Afghan traders made losses they did not stop trading: '…. , *because most full-time commercial Afghan fruit merchants had pre-purchased vineyards of Afghan grape prior to the harvest season, most decided to continue to ship to Pakistan in an attempt to at least recover their investments.*'

Very few transactions are based on the quality of the produce. Understandable as there are no standard that can be used as an objective base. About 80% of the transaction are without any contract. In 15% of the cases a written agreement is made; most of the time this seems to refer to agreements concerning the purchase of fruits from orchards. Most produce is paid at the time of the transaction; only some 10% is paid later, usually when the trader has sold the produce on.

Table 11: Purchasing process of raisins and nuts

	Almond	Pistachio	Raisin	Walnut
From whom and when do you buy?				
From farmers I assists throughout the year	0	0	0	0
A few months before the harvest	0	0	0	0
Just before harvest time (I do the harvest)	0	0	0	0
I buy at the farm gate (after farmer harvested)	66	64	42	56
Farmers deliver to me after harvest	33	32	17	44
Farmers stores and delivers later	1	5	8	0
How is the price agree upon?				
I assess the yield and buy orchard for a fixed price	2	0	0	0
We agree on a price per ser, measure total production and calculate the price	76	68	67	78
We agree price/ser for each grade	2	6	0	8
Prevailing market price at time of purchase	20	26	33	14
Is there any contract?				
Yes, a written contract	0	0	0	0
Yes, an oral contract	0	6	0	0
No contract	98	94	100	100
When do you pay?				
I pay in advance	0	1	0	0
I pay when I get the Product	96	99	100	100
I pay later	4	0	0	0

As could be expected, raisins and nuts are not bought in the orchards; still most of it purchased at the farm gate and only one third is delivered by farmers themselves. Again quality is not an issue when it comes to payments. There are no contracts (expect a rare case on pistachio) and payment is virtually always at delivery.

6 ADDING VALUE

When asked which value adding activities traders undertake, the following answers were given:

Table 12: Value adding activities for fresh fruits

Activity	Apples			Apricot			Grapes		
	%	*Cost/ seer*	*% losses*	*%*	*Cost/ seer*	*% losses*	*%*	*Cost/ seer*	*% losses*
Harvesting	5	11.0	1.0	0	0.0	0.0	14	7	1
Transport from farm	35	6.8	2.3	31	8.0	2.0	48	6	2
Cleaning	24	5.8	2.1	20	4.5	1.0	8	11	5
Sorting/ grading	51	6.1	1.8	46	6.2	2.4	40	7	3.4
Packing	43	15.0	0.8	29	11.7	1.3	34	11	3.3
Storing	17	7.7	3.4	12	10.0	1.3	8	3	2
Transport to market	34	9.1	0.5	29	6.3	0.0	25	7	0
Total		**61.3**	**11.9**		**46.7**	**7.9**		**52**	**17**
Weighted total		**18.3**	**3.4**		**12.8**	**2.5**		**13.4**	**4.1**

Note: data based on five FD per crop.

This table must be read as follows: 5% of the apple traders harvest apples themselves; for those who do so the costs are 11 Afs. per seer and 1% of the produce gets lost in the process. If a trader would perform all adding value activities, the total costs would be 61.3 Afs per seer and losses amount to 11.9%. However in the actual situation traders on average had 18.3 Afs. per seer of costs for the adding value activities that they did and they endured 3.4% losses in the process. As noticed before only few traders do harvest themselves. Some one third transport the fruit. With grapes it is even half. A substantial share of apples and apricot needs to be cleaned. An indication of poor husbandry practices. About half the traders engage in sorting and grading and one third in packing. The latter is expensive: carton boxes costs 10-15Afs/seer and wooden crates 20 Afs/seer. Only 8 - 17% is stored; usually this will be for short periods. Some 30% delivers the produce to the buyers. Undertaking all activities would costs 45-60 Afs./seer; in actual practice trader spend about 30% of this.

Table 13: Value adding activities for nuts

Activity	Almond			Pistachio			Walnut		
	%	*Cost/ seer*	*% losses*	*%*	*Cost/s eer*	*% losses*	*%*	*Cost/s eer*	*% losses*
Harvesting	0	0.0	0.0	0	0.0	0.0	0	0	0
Transport from farm	21	2.1	0.0	25	4.0	0.5	8	2	0
Cleaning	6	7.5	0.0	29	12.8	1.0	28	13	1
Drying	25	6.3	1.0	43	38.0	4.0	33	0	0
Sorting/ grading	57	12.3	1.3	25	2.5	1.0	67	2	1
Packing	39	6.6	1.3	64	7.5	1.3	42	5	1
Storing	72	2.0	3.5	92	1.8	0.0	25	7	0
Transport to market	29	9.8	0.1	44	9.0	0.0	25	4	0
Total		**46.6**	**7.1**		**75.6**	**7.8**		**34.0**	**2.5**
Weighted total		16.3	4.0		31.9	3.2		10.4	1.1

Note: Data based on resp. 4 ,2 and 3 FDs

Compared to the fruits a few issues stand out:
- No harvesting and less transport from the farm
- some drying (apparently farmers deliver insufficiently dried produce)
- sorting and grading is similar: about half of the produce
- over half is packed; most in bags (costs of 3-5 Afs./seer; much cheaper than for fruits)

- much more storage (well over half is stored)
- one third is transported to the buyer.

The high level of storage might mean that the actual margins are underestimated since the purchase- and sales prices used are average prices in the season. Many nuts will be stored for a couple of months and by that time the price will have increased considerably. Data on the changes in prices over time can be found in the reports on the FDs; such information is hard to generalise as the harvest season differs from one area to the other and making averages does not make sense.

With these data at hand the Net Margin of traders can be assessed: the Gross Margin minus the direct costs and the costs of the losses. The latter value is attained by multiplying the weighted average losses with the average purchase price of apples over 2007 and 2008. In the next table these data on adding value activities are combined with the Gross Margin and average purchasing costs (both an average of 2007 and 2008) of the produce.

Table 14: From Gross Margins to Net Margins

	Apple	Apricot	Grapes	Almond	Pistachio	Walnut
Purchase price (Afs./seer)	143	148	168	1481	2672	492
Sales price (Afs./seer)	178	178	199	1658	2923	574
Gross Margin (Afs/seer)	35	31	32	177	251	82
Direct Costs (Afs./seer)	18	13	13	16	32	10
Losses (Afs./seer)	5	4	6	87	95	8
Direct Costs as % of purchase	13	9	8	1	1	2
Net Margin (Afs./seer)	12	14	13	74	124	64
Net Margin (% purchase)	9	10	8	5	5	13

The net margin is 12-14 Afs/seer for fruits, or 7- 10% of the purchase price. For nuts it is only 5%, except for walnut that scores very well with 13%. The overall Net Margin on all these major crops is 7 % of the purchase price. The investments in value adding activities is only 10% for fruits and a minute 1-2% for nuts. Lastly we can assess again the importance of the different crops. The next table gives the results.

Table 15: Contribution of the main crops towards the total Net Margin of traders

	Apple	Apricot	Grapes	Almond	Pistachio	Walnut
Net Margin (Afs./seer)	12	14	13	74	124	64
Turnover (1,000 seers)	1,099	116	788	144	21	16
Total Net Margin (1,000 Afs.)	13,518	1,670	9,968	10,584	2,611	1,019
% of Total Net Margin	34	4	25	27	7	3

Note: prices here differ from other tables as they are only taken from the FD concerned.

The last line is the share of the total net margin in relation to the total net margin of all six crops, which represent 90% of the turnover of perennial crops. It shows again the importance of apple, almond and grape. Pistachio is more important than the volume and sales figures suggest. Apricot and walnut have a small share, but their profitability is higher. The Net Margin generally is 40% of the GM. Assuming that these crops represent the general picture, the overall annual Net Margin per trader is 2.600 USD. From this he has to cover his overhead costs and his salary. On the other hand, the business is a seasonal business.

Looking at all data, the most interesting one is that less than 5% of the turnover is invested in value adding activities. The question is why? Is it economically attractive to invest in adding value? Phrased differently: are Afghan customers willing to pay more for better graded or packed products? Several attempts were made to see if there is any relation between investment in value adding and variables like purchase price, sales price, Gross Margin and Net Margin. The next table show the result of one such an attempt for apples.

Table 16: Relation between investing in Value Adding activities and margins in apple

Investment level	Average Volume	Purchase price	Sale price	Cost of Packing	Total cost	Gross Margin	Net Margin	Nr. of ob-servations
Zero	610	165	208	0	0	42	42	20
Medium	4,729	148	174	6	11	26	15	18
High	9,221	159	201	22	36	43	7	17

There is a clear relation between the seize of the business and investing in value adding activities. Small traders in the districts (all, except one, zero-investors are in B-markets) are not adding any value and their margin is higher due to lack of competition and the very low turnover that forces all competitors to have higher margins. Bigger traders add more value, but their margin is lower. This is confirmed in the next table.

Table 17: relation between Value Adding and Margins in the main crops

	Volume (seer/yr)	Purchase price	Sales price	Gross Margin	Direct Costs	Net Margin	% Net Margin
Apples							
Shekh Ali	15,713	96	163	67	54	13	9
Pul I Khumri	10,191	138	161	23	21	2	1
Fakhar	7,169	189	218	28	22	6	3
Imam Sahib	963	144	178	34	13	21	13
Mir BK	658	146	178	32	8	24	16
Bazarak	523	181	226	44	5	39	21
Apricot							
Shibirghan	7,017	190	227	37	14	23	11
Pul I Khumri	2,700	132	161	29	20	9	6
Imam Sahib	1079	154	186	33	20	13	7
Shekh Ali	933	154	213	59	37	22	11
Fakhar	426	155	186	31	23	9	5
Mir BK	270	200	233	33	10	23	11
Mamud Raqi	220	95	118	23	10	13	12
Bazarak	112	174	212	38	5	33	18
Grapes							
Mir BK	11,901	111	138	27	19	9	7
Pul I Khumri	9,917	170	197	26	19	7	4
Fakhar	7,296	178	201	23	23	0	0
Mamud Raqi	6,818	107	122	14	11	4	3
Shibrighan	3,773	141	179	39	14	25	16
Imam Sahib	3,285	212	254	42	18	24	11
Almonds							
Aybak	3,447	2,636	2,960	324	75	249	9
Imam Sahib	1,807	2,543	2,979	436	23	413	16
Shekh Ali	825	340	385	45	21	24	7
Sozm Qala	153	721	942	221	35	186	25
Farkhar	104	1,300	1,371	71	18	53	5
Shibirgan	170	1,553	1,641	89	10	79	4
Pistachio							
Aybak	975	3,163	4,042	879	49	831	26
Fakhar	245	1,787	1,914	128	37	91	5
Walnut							
Aybak	913	475	575	100	47	53	10
Fakhar	587	474	532	58	23	35	7
Shekh Ali	200	700	750	50	17	33	5

| Shibirghan | 143 | 655 | 750 | 95 | 15 | 80 | 12 |

Note: the % net margin is the % over the total purchase price and direct costs

The table shows that for fruits larger traders add more value, but they do not get a higher net margin, leave alone a better return on their overall investment. These traders tend to be in bigger towns where they have to do some form of grading and packing to face the competition; yet the better margins that one would expect for this is apparently offset by strong competition on price (while the seize of the business allows the trader to survive with lower margins). For the nuts the situation is slightly better. This is probably related as well to what will be shown in the next paragraph: more of the nuts are sold to higher level markets (provincial towns and Kabul).

7 SALES PROCESS

The next table provides some key data on the sales process.

Table 18 : The sale process of fresh fruits

	Apples	Apricot	Grapes
From whom and where do you sell?			
Trader(s) in district town	9	11	11
Trader(s) in provincial town	10	6	9
Trader(s) in Kabul	16	15	14
Trader(s) in Pakistan	2	0	0
Trader(s) in India/ Iran/ Uzbekistan	0	0	0
Retailers in provincial town	19	17	19
Retailers in Kabul	2	5	2
Local consumers	43	47	45
When do you sell?			
At harvest time	70	92	89
1 month after harvest time	11	6	5
2 – 3 month after harvest time	17	2	6
4-6 months after the harvest	1	0	0
When do you get paid?			
I get paid in advance	1	0	3
I get paid cash when I deliver	87	88	86
I get paid 1 - 2 months later	13	12	12
How is the price agreed upon?			
Standard price irrespective of quality	80	86	84
I get paid according to quality	20	14	16

Local consumers take some 45% of the produce; traders in district and provincial towns some 20%, Kabul based traders about 15%. The remaining 20% goes to retailer in provincial towns. Probably the most interesting option, selling to retailers in Kabul, is only achieved in a few percentages. Export is negligible; only some apples (from Shekh Ali). As can be expected some 80% of the produce is sold at the time of harvest; only apples are stored for some time (1-3 months). A small amount of 15-20% is paid according to quality; double the percentage at the time of purchasing (less than 10% of the farmers are paid according to quality). Like with the purchase most payments are done at delivery. The reports on the different FD give more details.

The next table gives the same data for the nut trade.

Table 19 : The sale process of raisins and nuts

	Almond	Pistachio	Raisin	Walnut
From whom and where do you sell?				
Trader(s) in district town	3	1	2	2
Trader(s) in provincial town	20	26	8	19
Trader(s) in Kabul	39	25	32	60
Trader(s) in Pakistan	6	0	0	0
Trader(s) in India/ Iran/ Uzbekistan	4	10	0	0
Retailers in provincial town	17	0	22	0
Retailers in Kabul	0	0	0	0
Local consumers	12	38	36	19
When do you sell?				
At harvest time	41	77	42	51
1 month after harvest time	24	8	17	24
2 - 3 month after harvest time	28	16	8	25
4-6 months after the harvest	0	0	33	0
> 7 months after the harvest	7	0	0	0
When do you get paid?				
I get paid in advance	15	1	17	0
I get paid cash when I deliver	60	62	44	61
I get paid 1 - 2 months later	24	37	39	39
How is the price agreed upon?				
Standard price irrespective of quality	70	72	83	71
I get pre-financed and keep a fix amount	4	12	0	14
I get paid according to quality	26	16	17	16

Of the dominant crop, almond, only 12% is sold to local consumers. Some 40% goes to Kabul and another 30-40% goes to provincial towns (either to traders or retailers). Little goes to traders in districts towns. Slightly more than half of the produce is sold at the time of harvest; one third is sold 2 or more months afterwards. About 15% is aid in advance, yet about one third is only paid after 1-2 months. The percentage of the produce that is paid according to quality is some 20% (for almonds even 26%); considerable higher than with fresh fruits and also higher than in the purchasing process.

The next table summarises the difference between the fruits and the nuts marketing.

	District		Province		Kabul		
	Consumer	Traders	Consumer	Retail	Traders	Retail	Export
Fruits	45	10	8	18	15	2	2
Nuts	15	2	20	18	38	0	8

Fruits stay in the districts, nuts move to Kabul and even some export.

When traders are asked where they get market information, virtually all say they get it from the market itself; some say they get it from buyers (which might be tricky), many use mobile phones. The latter is often used to connect to the Kabul markets. Although some say they like to get market information very few are willing to pay for this.

8 CONSTRAINTS

The next table shows the min constraints of the traders as mentioned by themselves. This table does not show the data of three pilot districts as the question there was asked in a more open way (the answers were used to make a list of potential problems).

Table 20: Main constraints mentioned by traders

Constraint	TOTAL	Fa-khar	Pul-i-Khum	Aybak	Shibir-ghan	Imam Sahib	Mir BK	Shekh Ali	Sari-pul
Limited finance to run business	**20**	3	2.8	2.9	0.9	2.9	2.3	2.5	3
Lack of storage capacity	**18**	2.6	2.4	1.9	2.3	2.2	2.2	2	2
Electricity	**13**	2.6	2.4	0.4	0.2	2.2	2.7	0.3	2
Water	**8**	0.5	1.4	0.9		2.3	1.6		1.3
High transport costs	**7**	0.8	1.0	0.3	0.6		0.3	2.5	2
Lack of market information	**6**	1.4	0.1	0.5	0.6	1.7			1.7
Finding buyers/ market to sell	**6**	1.1		1.4	0.5	0.6	0.4	1.2	0.5
Lack of proper packing material	**5**	1.0	0.8	0.2	0.2	0.2	0.7	0.7	1
Lack of market place	**4**		0.4	3.0	0.4				
Losses in quality	**4**		1.3	0.1	0.9	0.3		0.3	0.7
Losses in quantity	**3**		0.9	0.1	0.9	0.9			0.2
Poor quality of Product	**2**	0.4	1.1	0		0.4			0.2
Finding farmers/suppliers	**2**		0.1	0.1	0.7	0.1			0.7
High rent of shop	**1**		0.6						
Lack of equipment	**1**	0.3			0.2				

Access the finance to run the business is the biggest problem. Lack of storage capacity is firmly second. The public utilities electricity and water take third and fourth spot. Certain district have specific problem; e.g. Aybak has a poor market and Shekh Ali has a problem with high transport costs. Of the specific problems related to their business, lack of market information and proper packing materials score highest (well after storage). Although only a few traders in the main towns were interviewed, they all complained that the physical market was very poor. In Mazar the fruit trade is split over three bazaars; in Baghlan over two.

The next question was how the traders wanted to improve their business. The table give the answers (data are the totals of all answers).

Table 21: Improvements mentioned by traders

	Major improvements	Minor improvements
Improvement not involving cash investments		
Identified new buyers	92	46
Identified new suppliers	87	35
Increase turn-over	69	44
Identified new product	6	9
Improvement requiring cash investments		
Invest in a store	10	24
Invest in transport means	4	23
Increased (pre-)financing	1	7
Employ more staff	3	6
Invest in equipment	0	3

We see that the traders enthusiastically like to expand their business, but when it comes to cash investment they are very cautious. Only some 15% of the traders thinks abut making a major investment. Stores are the highest priority, followed by a car. Very few dare to think of more staff or increasing the pre-financing of farmers. None is sure he will invest in any equipment.

9   CONCLUSIONS

The marketing system is of fruits and nuts consists of different layers. This surveys focused on the first two layers: traders at district and provincial level. The prices of fruit increase quickly when it moves from the farm gate level to the province. In the worse cases, apples in Sozm Qala district, the price has already doubled by the time the produce arrives in the provincial capital. The high margin at the lower end of the system are not based on adding value; on the contrary, very little value is added here. It is only based on the inefficiency of the system. Small trader consolidating small amount of poor quality produce.

Looking from the perspective of farmers supported by HLP we see that 55% of the marketed fruits remains in the district, 25% moves to the province and 20% to Kabul or for export. Most fruits reaching Kabul have passed the hands of at least two traders: one in the districts with a GM of 25% and one in the province with a GM of 15%. Wholesalers in Kabul operate with a 10% GM and retailers with GM of a 40 % or more. The latter is needed as they finally have to sort out the poor quality produce; the key-problem and the main risk for all actors in the chain. So all in all the price of fruits easily doubles between the farm gate and the final consumer. This is in line with other studies trying to elaborate on this[2]: for fruits farm gate prices are between 25% and 40% of the price the final consumer pays.

For nuts the situation is better as the margins of the traders are smaller while the chain seems shorter. Farmers can more easily deliver their produce to traders in the provincial capital who can more easily ship it to Kabul or for export[3].

How to increase this share for the farmers is often hotly debated. One perspective is to call for marketing cooperatives. These would unite farmers at village or district level in order to create a better negotiation position. However, when these negotiation take place with the same district level trader, not much will change. Maybe the trader offers a slightly higher price but this extra income has to be used to run the coop. More gains can be expected if the local traders can be by-passed. When provincial level traders would deal with farmers directly, the GM of the district level trader can be gained: this can lead to a gain of 15-25%, to be divided by the farmers and the provincial trader.

The question is: what blocks direct transactions between farmers and provincial traders ? Two major constraints can be identified:
1. Lack of knowledge and information. Farmers and traders do not know each other. Traders are not know who has attractive quantities of sufficient quality produce.
2. Lack of finance and logistical means. Provincial traders might like to expand their business, yet this requires more money and often better storage and other facilities.

The HLP marketing component can assist in overcoming the first constraint. Considering the general distrust of formal, modern type of organisations the best way to start is to work with informal groups of farmers willing to sell their produce together. Only if and when they have done so successfully for two years, one could assess whether it makes sense to formalise this cooperation. Generally a formal coop is only feasible when it is able to add value to the produce; simple consolidating the produce of members is better done informally in order to keep costs limited.

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[2] See: NUHDA, 2008: Apricots in Afghanistan. A value chain approach. And also: Estrada, J.M., 2005. Perennial Horticulture in Eastern Afghanistan: Subsector Overview and Implementation Strategy. DAI/ ALP-E.
[3] Estrada (2005) found that in East Afghanistan the farm gate price of almonds was 50% of the retail price

10   HLP – SUPPORT TO MARKETING

In consultation with the HLP-marketing coordinator the conclusion formulated above were translated into a simple Logical framework. First of all the intervention logic was set up and secondly the risks and assumptions were formulated. Lastly the indicators and sources of verification were defined. The result can be seen on the next page.

Upon completing the Logframe the activities to achieve the aims were formulated as well as the pre-conditions that have to be fulfilled by HLP to enable the responsible marketing coordinators to be successful in his job. This will be reported here under the headings of Activities and Pre-conditions. For reason of clarity this is done after the next page with the Logframe. Before that we first clarify the intervention logic and strategy (*how* the expected results can be achieved).

10.1   The intervention logic

If HLP supports farmers in the FD s to increase production, marketing will become a problem and prices will be under pressure. Under these circumstances the first thing to do is to assist farmers in improving the productivity (read: their efficiency) and in improving the quality of production. This is already the core of the HLP work today. In addition to this, HLP is recommended to:

1. Assist farmers in marketing their products to provincial level trader in order to shorten the value chain (by-passing inefficient district level traders)
2. Assist these provincial traders in identifying attractive markets for the high quality produce. This could mean assisting them to add more value to the produce.

In practice this means that farmers groups in the FD have to be assisted in making a marketing plan for their area. The first step is to decide on the priority crops and varieties. The present FD-reports can be used as a starting point for this discussion. Information on the present productivity and the potential to improve productivity and quality has to be brought in the discussion as well. The second step is to link farmers group to provincial level traders. Both partners have to agree on the quantity and quality to be traded and on the delivery terms (timing, quality inspection, transport, payment, etc.). HLP can facilitate this by offering market information, training, and exchange visits, as well as some seed money for pilot activities and quality measuring devices.

The same approach will be followed with the provincial level trader. A marketing plan will be made on how they can make the best margins on the (quality) produce from the FD. HLP will offer market information, training (on all possible issues) and exchange visits. The main source of information for HLP will be weekly visit to Kabul market to record the prices of the main potential varieties and the marker trends in terms of supply, demand and prices. Other sources are the experience of the HLP-Value Chain projects. Like the present one on grapes and the planned one on stone fruit (and many apples).

The aim for 2010 is to create four grape marketing groups and for 2011 another four for grapes and 2 for apples and almond each.

	Intervention logic	Objectively verifiable indicators	Sources of verification	Assumptions/ Risks
Overall Objectives	Increase (the sustainability of the) income of farmers	-	-	
Project Purpose	HLP farmers produce what the market demands and sell quality produce at optimal prices and under optimal conditions	- Farmer: 10% higher income in 2011 and 25% potential higher income in third year - Traders: 10 % higher margin and 25% more turnover in 2011	- Independent assessment combined with the HLP-second benchmark survey -	-
Results	1. Farmer groups have a marketing plan 2. Farmers linked to (provincial) traders 3. Provincial traders have a marketing plan	- 2010: 4 grapes groups have a marketing plan and are linked to traders with marketing plan. - 2011: 4 new grape, 2 almond and 2 apple groups	- Marketing plans of farmers' groups and traders -	1. Market opportunities exist for better products 2. <u>Farmers can produce according to their plan</u>
Main Activities	1.1. provide <u>market information</u> 1.2. <u>farmers' visits</u> to traders / markets 1.3. <u>training</u> on marketing (planning) 1.4. Include market concerns (quality) in training by HLP and in HLP planning 2.1. Identify suitable (provincial) traders and link them to farmers 3.1. provide traders <u>market information</u> 3.2. <u>trader's exchange visits, match-making</u> and <u>round tables</u> 3.3. <u>training</u> on marketing (planning)	**Means** - experienced trainers - training materials - good cooperation in HLP and with others programmes - weekly visit to Kabul markets -	**Costs** - budget for trainers and training, exchange visits, round tables etc. -	1. Market opportunities exist 2. <u>Farmers are motivated to discuss and coordinate in (informal) groups</u>
				Pre-conditions 1. <u>Build up a network among traders and projects via on the job training with RoP</u> 2. <u>Small budget for invest-ments in quality issues</u>

Note: The underlined items are further discussed in the text.

10.2 Strategy

10.2.1 Marketing plans for farmer groups

The FD-level data on markets have to be combined with data of the HLP-M&E system, and with the opinions of farmers, traders and experts to identify the optimal choice of crops and varieties. One reason to invite experts (and projects) is that one has to consider the potential to increase production as well.

STEP I : discuss with farmers and local experts
Aim: decide on the priorities from **their** of view

Use the following score card to rank the varieties and to trigger the discussion on what is the mst suitable crop and variety for the area.

	Yield		Quality		Market demand		Price		
	Present	Potential	Present	Potential	Present	Potential	Present	Potential	**Total**
Var. 1									
Var. 2									
Var. 3									
Etc.									

A scorecard generally does the trick to get the discussion going and the skill is to take the real crucial issues from the discussion, to clarify them and come to a (common) understanding of these. Once there is a common understanding, this can be translated into an action plan.

Outcome: Select the top priority: which variety or varieties will be promoted?

STEP II: Work on production issues.
Aim: plan the improvement in quantity and quality of the production of the priority crops.

In the same workshop continue to discuss how the production can be improved. As people have indicated the potential of the priority varieties, the question is how this potential can be realised.
1. Define the problems in the tow top priority varieties
2. Define the methods, tools, resources, inputs, activities, training etc. needed realise the full potential of each selected varieties in terms of yield and quality. Remember to reflect on who has the resources to do this:
   a. Who has the knowledge and skills to do this?
   b. Who has the inputs/technology/equipment ?
   c. Who has the money to invest ?
3. Define *who* is responsible for *what* and who will we all *cooperate* (make sure there is a good balance between farmers, traders, experts and the project)
4. Agree what the first steps will be for each of these actors and who you will monitor the progress.

Outcome: outline of an action plan to improve production and quality.

STEP III: Work on how the sales can be organised.
Aim: to plan the sales process.

Discus with farmers their preferences on (a selection of) these topics:
- Ordering procedures/delivery terms: who does the transport ? Minimum quantities?
- Contractual relationships: is there a contract? What does it stipulate?
- Inspection: who inspects and on based on which standards?
- Technical Assistance: does any partner assist with knowledge?
- Communication: any contact outside the moment of the deal?
- Price determination: how are prices set? Negotiation?
- Payment terms: any advance, cash, delayed payments?
- Credit extended: is the buyer pre-financing the seller?
- Length of business relationship.

Make sure that you discussed with traders in the province beforehand on what they think of the produce of the district and on how they would like to organise the sales.

Define the necessary steps and activities (exchange visits, market study, matchmaking, round table meeting etc.) to ensure that farmers can sell their produce under attractive conditions.
a. Identify potential buyer who could agree to these conditions
b. Decide how potential buyers will be approached (preferably HLP plus a lead farmer)
c. Define *who* is responsible for *what* in the sale process on behalf of farmers and how they will *cooperate* (make sure there is a good balance between farmers and traders).

Based on the outcome a simple marketing plan is made which specifies at least the following:
1. The long term objective (the priority selected above) in terms of quantity and quality
2. The quantity that will be produced the year: (*who* will produce *how much* and *when*)
3. The quality of the produce: be specific. *Who* will inspect the quality and *how* and *when*.
4. The sales process: specify the tasks and responsibilities of farmers, farmers leaders, farmers' group and trader in the delivery process, quality inspection, communication, timing of events, price and payment arrangements etc.
5. Expected support from traders, HLP and others
6. How and when will the plan be evaluated ? Translate outcome into changes for next year.

10.2.2 Marketing plans of provincial traders

For the provincial traders simple and straightforward marketing plan are needed:
1. Minimum quality needed
2. Minimum quantity needed
3. Purchasing process: supply or delivery mechanism: transport, labour, inspection, payments (tasks and responsibility of the traders and the farmers)
4. Value Adding
   a. Sorting/grading: standards to be used. Consequences for the farmers.
   b. Packing: quality of the packing; how to organise the packing;
   c. Transport
   d. Storage
   e. Drying/ cleaning/ shelling/ ….
5. Sales process: supply or collection mechanism: transport, labour, inspection, payments (tasks and responsibility of both suppliers and buyers)
6. Promotion: Brand/ Trademark / Advertisement / HLP-radio program
7. New market channels: supermarkets/ new towns.

The HLP-marketing coordination can help to make such plans. These could very well be informal plans; or partial plans that focus on a few key issues (like where to sell, or how to improve the packing). This general format of a marketing plan is provided here as a reminder of the overall logic of any marketing plan, in which simple sub-plan must fit. With this format one can always check if a marketing improvement plan does make sense: is it useful to put poor quality apples in nice boxes? Or: IF a trader likes to put fruits in a cold, he has to agree with farmers that they will harvest in the morning, in order to avoid putting hot apples in a cold store.

10.3 Support activities

10.3.1 Collect market information

The main sources of information for the HLP marketing coordinator will be:
- Weekly visits to Kabul fresh fruit market and dried fruits and nuts market
- Visit markets in Mazar, Puli-Khumri and Kunduz before meeting farmers and traders
- Internet and MAIL
- RoP and other organisations and projects

The basis will be the weekly visit to Kabul market to check market trends of the main varieties. The following tables will be used:

Crops/ Variety	Wholesale price. Av. 3 traders	Trend Supply (-/ o/ +)	Trend in demand (- / 0/ +)	Expected supply (- / 0/ +)	Expected Demand (- / 0 / +)	Expected price (- / 0/ +)	Remarks regions / quality
Apple, Beruti,							
Apple, Golden							
Apple, Malling							
Apricot, Amiri							
Etc.							

Obviously the average price is the first parameter. This is the average wholesale price on the day of the market visit for a normal quality produce. The trends in supply and demand as well as the expected supply, demand and price are scored in a very simple way. They are either up (+), down (-) or neutral (0).

Data will be collected the those crops and varieties that have been identified in the MBS as being the most promising ones:

Apples: Beruti, Golden delicious, Maling, Nazukbadan
Apricot: Amiri, Qaisi
Grapes: Hussaini, Kishmishi, Taifi, Singhulkhani
Almonds: Abdul wahid, Kagahzi, Murawaji, Satarbaie, Qanbari, Qahar baie
Raisin: Green and Red.
Walnut: Kagahzi

This list can be adapted according to the season as well as on demand of supported farmers and trader. The weekly report can be disseminated via e-mail within HLP in a weekly newsletter that offers the opportunity to add some more information as well like market information from Pakistan that can be obtained via RoP.

The mission made a form in Excell to record the weekly data so that they can be used for time based analyse as well.

In case of clear demands from the traders short and specific market studies can be done as well: ask a few dozen shops for difference between type of produce: grading, packing, (quantities, types of carton, etc.), varieties, etc.

10.3.2 Exchange visits and study-tours

The most important tools for HLP to work on marketing will be exchange visits or exposure visits. People learn most when they actually see and smell the real things. This counts especially for farmers but also for traders. So taking them to places where new technologies are applied is very important. Still, only taking them is not enough; a good exposure visit requires good preparations. One has to:
- ask participants beforehand what they want to see and learn
- prepare the people who you visit on what the visitors want see and learn
- try to organise some real practical experience. Why not inviting the visitors to actually participate in a certain job rather than observing others doing it?
- ask participants to formulate what they saw and learned and what of this they will apply (and how they will apply it and what kind of support they need to do this).

10.3.3 Training

Training can be offered to farmers and traders on a range of issues. First of all several training sessions will be organised by HLP on improving productivity and quality. The marketing coordinator has to ensure that the selected priorities are well taken care of in these training session.

10.4 Pre-conditions

10.4.1 Human resources: on the job-training and create network

Today's experience of HLP on marketing is virtually zero. So the newly appointed marketing expert need to be trained on the job. The best way to do this is with Roots of Peace. The RoP management was open for this and it is suggested that a MoU is signed on this issue specifying the activities in which the HLP-marketing coordinator can participate (e.g. visits to traders and markets) and the time RoP can allocate to assisting him in his daily work like collecting market information in Kabul markets. RoP can also assign him some specific tasks. RoP can be paid normally for this (if they ask for that); they should also provide feedback on his performance.

Other options are to see when the HLP marketing coordinator can participate in local training events organised by NGOs are other projects.

10.4.2 Budget for small incentives

The core of the support of HLP on marketing with be software: information dialogues, exposure visits etc. Still some funds will be needed to support farmers and traders in pilot activities; in a country were million of dollars are handed out for all kind of equipment and activities, only talking will not do. The more so as HLP already has a reputation in the field as 'talking only',

particularly when it comes to group activities. The HIG concept has not yet lead to concrete activities and the survey team found scepticism on this concept even among HLP staff.

10.4.3 Coordination and cooperation in HLP

The first level of coordination has to be with the extension staff working on productivity and quality in the FD's. The main issue is to give them feedback on the decisions made by the farmers and ensure that the selected.

With FOD clear arrangements are needed to avoid overlapping of activities are the creation of confusion on the side of farmers. There is no need to formalise farmers group at this stage. If and when groups have operated successfully for two years the need an possibilities to formalize groups can be assessed.

ANNEX I   TWO ADDITIONAL TABLES

In the main report as much as possible the prices of the different varieties have been used, as these are crucial for the decision making process of farmers and traders. To be complete, there averages per crop are given.

Table22 : Average purchase- and sales prices (av. of 2007 and 2008) per crop

Produce	Purchase price (Afs./ seer)	Gross Margin (Afs./seer)	Sales price (Afs./seer)	% Gross Margin
Apples	162	30	192	19
Apricot	149	34	184	23
Cherry	218	18	236	8
Grapes	146	27	173	18
Mulberry	372	53	425	14
Peaches	340	77	417	23
Pear	24	4	28	15
Plums	213	33	247	16
Pomegranates	189	42	231	22
Sub-total	**160**	**30**	**190**	**19**
Melon	40	8	48	21
Watermelon	44	13	57	30
Sub-total	**41**	**11**	**52**	**25**
Almonds	1,686	200	1,886	12
Apricot kernel	1,060	175	1,234	16
Dried apricot	371	36	406	10
Pistachio	3,308	328	3,636	10
Raisin	443	30	473	7
Walnut	443	85	528	19
Sub-total	**1,369**	**155**	**1,524**	**11**
Overall total	**237**	**37**	**274**	**15**

In the table on the next page one find all answers of traders on the market trends as they have observe them or as they expect them to be in the next few year. This to complement Table 6 in the main text.

Table 23: Market tends of the main varieties

Crop	Variety	Last few years		Next few years		
		Supply	Demand	Supply	Demand	Price
Apple	Beruti	2 (15) 1 (13)	2 (14) 1 (9)	2 (13) 1 (10)	2 (12) 1 (11)	2 (2) 1 (19)
	Golden Delicious (Zard)	2 (26) 1 (7)	2 (26) 1 (7)	2 (25) 1 (9)	2 (22) 1 (8)	2 (3) 1 (23)
	Maling	2 (13) 1 (4)	2 (14) 1 (2)	2 (13) 1 (4)	2 (12) 1 (5)	2 (1) 1 (8) 0 (2)
	Nazukbadan	2 (9) 1 (4)	2 (9) 1 (4)	2 (9) 1 (5)	2 (8) 1 (6)	1 (4) 0 (1) -1 (1)
Apricot	Amiri	2 (29) 1 (12)	2 (17) 1 (22)	2 (26) 1 (13)	2 (29) 1 (10)	2 (1) 1 (22) 0 (2) -1 (0) -2 (2)
	Qaisi	2 (14) 1 (10)	2 (13) 1 (11)	2 (12) 1 (12)	2 (9) 1 (15)	2 (1) 1 (14) 0 (2)
Grapes	Kishmishi	2 (54) 1 (25)	2 (51) 1 (24)	2 (47) 1 (32)	2 (49) 1 (30)	2 (2) 1 (43) 0 (8) -1 (2)
	Hussaini	2 (32) 1 (43)	2 (43) 1 (17)	2 (21) 1 (37)	2 (31) 1 (16)	2 (1) 1 (38) 0 (7)
	Taifi	2 (14) 1 (8)	2 (18) 1 (4)	2 (16) 1 (6)	2 (17) 1 (5)	2 (2) 1 (15) 0 (2) -1 (1)
	Singhulkhani	2 (7) 1 (7)	2 (11) 1 (3)	2 (7) 1 (7)	2 (8) 1 (6)	2 (1) 1 (6)
Almond	Satarbaie	2 (19) 1 (5)	2 (24)	2 (21) 1 (3)	2 (21) 1 (3)	2 (10) 1 (12)
	Abdul Wahidi	2 (11) 1 (9)	2 (13) 1 (7)	2 (11) 1 (9)	2 (13) 1 (7)	2 (1) 1 (17)
	Murawaji	2 (9) 1 (0) 0 (0) -1 (1)	2 (7) 1 (0) 0 (0) -1 (1)	2 (8) 1 (1) 0 (1)	2 (7) 1 (1) 0 (2)	2 (2) 1 (4) 0 (3) -1 (1)
	Qanbari	2 (11) 1 (3)	2 (9) 1 (4)	2 (10) 1 (4)	2 (8) 1 (6)	2 (2) 1 (11)
	Qahar baie	2 (10) 1 (2)	2 (10) 1 (11)	2 (10) 1 (11)	2 (9) 1 (3)	2 (2) 1 (10)
	Kagahzi	2 (2) 1 (10) 0 (2)	2 (5) 1 (6)	2 (1) 1 (11) 0 (2)	2 (3) 1 (11)	2 (2) 1 (5) 0 (1) -1 (1)
Raisin	Red (Surkh)	2 (3) 1 (5)	2 (3) 1 (1)	2 (2) 1 (5)	2 (3) 1 (1) 0 (1)	2 (0) 1 (3) 0 (3)
	Green (Sabz)	2 (1) 1 (3) 0 (1) -1 (2)	2 (2) 1 (1)	2 (1) 1 (3) 0 (2) -1 (1)	2 (2) 1 (4) 1 (1)	2 (0) 1 (4) 0 (1)
Walnut	Kaghazi	2 (3) 1 (7) -1 (1)	2 (2) 1 (5)	2 (3) 1 (7) - 1(1)	2 (4) 1 (7)	2 (3) 1 (7)

PART II

Specific report

on each Focus District