

2022

**Authors**

**Haroun Rahimi**  
American University of  
Afghanistan



# Contract farming in Afghanistan: Reducing Food Insecurity and Improving Livelihoods

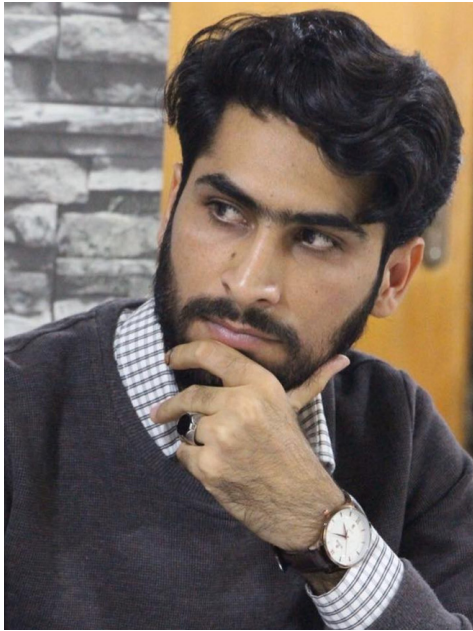
---

## **SYNOPSIS**

Food insecurity is a critical issue facing Afghanistan today. Incentivizing farmers to dedicate more land to growing foodstuff during farming seasons – as opposed to growing opium or exiting the agricultural sector – could increase the local food availability at harvest time. This would reduce the need to import foodstuffs to address shortages, which can subsequently hurt farmers’ livelihoods. This latter issue is extremely important because more than half the Afghan population depends on farming for their livelihood.

This Working Paper was funded by the Defence and Security Foresight Group which receives funding from the Mobilizing Insights in Defence and Security (MINDS) program designed to facilitate collaboration and mobilize knowledge between the Department of National Defence, the Canadian Armed Forces, and academia and other experts on defence and security issues. Through its Targeted Engagement Grants, collaborative networks, scholarships, and expert briefings, MINDS works and collaborates with key partners to strengthen the foundation of evidence-based defence policy making. These partnerships drive innovation by encouraging new analyses of emerging global events, opportunities, and crises, while supporting a stronger defence and security dialogue with Canadians.

## About the Authors



### **Professor Haroun Rahimi American University of Afghanistan**

Haroun Rahimi has obtained his B.A. in Law from Herat University, his LLM in Global Business Law from the University of Washington School of Law, and his Ph.D. from the University of Washington. Rahimi is Assistant Professor of Law at the American University of Afghanistan. Rahimi's research focuses on economic laws, institutional reform, Islamic finance, and divergent conceptions of rule of law in Muslim and modern thoughts. Rahimi's research has appeared in reputable local and international journals. Rahimi has also collaborated as an independent consultant with a number of research firms and policy think tanks conducting policy research on institutional development and good governance in the South Asian context. At the Oxford Centre for Islamic Studies, Rahimi has worked on Islamic finance as a poverty alleviation strategy, legal history of Afghanistan, and the ways that legal transplantation is legitimized in Muslim countries. More recently, Rahimi was a visiting scholar at the International Institute for the Unification of Private Law (UNIDROIT) in Rome. Currently, Rahimi is a Visiting Professor at the Bocconi University School of Law in Milan, Italy.

## **Context**

The Taliban's recent ban on poppy cultivation and the opium trade makes this particular agricultural intervention timely. Indeed, the opium ban signals a willingness on the part of the Taliban to cooperate with schemes designed to help farmers transition away from poppy cultivation.<sup>1</sup> While it is not clear how strictly the announced ban will be enforced, experts do warn that strict enforcement without accompanying support to farmers can have a devastating impact on farmers' livelihoods.<sup>2</sup> The Ukraine-Russian conflict has also decreased the availability of foodstuffs and caused a rise in prices worldwide. This is likely to worsen food insecurity in vulnerable regions like Afghanistan. However, assuming that risks to farmers can be mitigated, these pressures could also incentivize Afghan farmers to grow more foodstuffs, rather than depend on uncertain foreign markets. Contract farming could help mitigate such adverse effects.

## **Strategies and Solutions**

This report proposes that contract farming has the potential to increase agricultural output in Afghanistan by using contractual schemes to mitigate economic risks to farmers. Contract farming at its core is an agreement wherein farmers and buyers agree in advance on the terms and conditions for the production and purchase of farm products.<sup>3</sup> These conditions usually specify the price to be paid to the farmer, the quantity and quality of the product demanded by the buyer, and the date of delivery to buyers. The contract may specify that the buyer provide inputs such as seeds, fertilizers, and technical advice as well. In the Afghan context, contract farming could also take the form of a contract of *salaam*—a type of contract whose validity is subject to consensus in Islamic law— which allows for the purchase of a commodity for deferred delivery in exchange for immediate payment.

The main insight behind this approach is because Afghan farmers tend to dedicate more of their lands to poppy cultivation at times of high uncertainty, this in turn produces higher local food insecurity at these critical junctures. The reason farmers make this choice is not because poppy is necessarily more profitable than growing foodstuffs but rather because poppy offers safer and more guaranteed returns on their investments.<sup>4</sup> Specifically, farmers can receive advance cash payments from opium traders against the value of future harvests to overcome their liquidity problems. Farmers know that demand for opium is robust (traders often purchase their output in advance), that they can easily exchange their opium for cash, and that they can hold on to their harvest if needed because opium is relatively light, easily storable, and non-perishable. In addition, the poppy is generally believed to be a more resilient crop given the prevailing climate in certain areas of Afghanistan.

These incentives could be offered to farmers for growing foodstuffs. That is, if farmers are offered a contract whereby a party commits to buying their agricultural output at a reasonable price, they are

1 <https://www.voanews.com/a/taliban-ban-opium-poppy-cultivation-in-afghanistan/6513193.html>

2 See David Mansfield's detailed views on the impact of ban and the need for support to the farmers, "We inform all farmers that poppy cultivation isn't allowed after today" <https://www.alcis.org/post/afghan-poppy-ban> and <https://twitter.com/mansfieldintinc/status/1513539352936304640?s=20&t=HIKIQ9SSPa3UraeqIrg3Kg>

3 See Contract Farming Resource Centre on FAO website: <https://www.fao.org/in-action/contract-farming/background/en/>

4 The nexuses between uncertainty and poppy farming builds is drawn from the leading researcher in this field, David Mansfield, and the author's own research on the role of uncertainty in the Afghan commercial markets. See for example, "Drugs and Departures: coping with the economic collapse in Afghanistan" <https://www.alcis.org/post/drugs-and-departures-coping-with-the-economic-collapse-in-afghanistan>

not only likely to take this deal, but also the assurance provided by such a contract is likely to motivate them to remain a farmer and allocate more of their land to growing food. The contract can structure the price as cost-plus-profit, indexed against price predictions, or simply as the average of past years' prices plus expected inflation.

Contract farming is likely to work well in Afghanistan for several reasons. First, the buyer can advance farmers some cash payments against the future value of their harvest, like the opium traders do, thus allowing farmers to stay afloat despite their seasonal earnings. Second, the contract could effectively insure farmers against drought-caused drops in output by linking farmers' contractual deliverables to objective metrics of rainfall. The embedded contractual insurance can make alternative crops attractive to farmers since the drought resistance feature of poppy crops is an important reason for its popularity. Third, by assuring demand for foodstuffs, such a contract could reduce the higher risk of storage (compared to poppy), and resolve other logistical considerations for farmers, shifting those risks onto a single, large buyer who is better positioned to bear them.

To handle these operations, community development councils could be created to conduct outreach, select participants, execute contracts, manage funds, monitor performance, provide technical support and collect (and, if need be, locally distribute) agricultural products produced under such contracts. Such councils may include representatives from World Food Programme (WFP), the Food and Agricultural Organization (FAO), local government officials, farmers, and locally influential figures such as religious and tribal notables. If constructed as distinct entities, these council could also ameliorate concerns about channelling funds through the Taliban authorities directly.

This type of contract farming program could ensure sustainability because it works with the local agricultural economy, rather than competing against it. In the longer-term, when the food security crisis in Afghanistan subsides, the program could be transformed into a farmers' cooperative that functions as a mutual insurance scheme for farmers.

## **How Canada Can Help**

Canada has invested blood and treasure in Afghanistan. Troop withdrawal notwithstanding, Canada has a keen interest in ensuring that its investments in Afghanistan are not completely lost. Assuming Canadian interest, a feasibility study would need to be conducted to gauge the level of interest on the sides of stakeholders and generate input for the design of the program. Drawing on the findings of the feasibility study, several areas – strategically diversified by geography, climate, and agricultural practices – could be selected to pilot the project. The results of the pilot could then be studied to examine whether and how the program can be scaled and replicated across the country.

The Canadian government could help jumpstart this initiative by holding a series of consultative meetings with the relevant stakeholders (e.g. WFP, FAO, UNAMA, Afghan and international agricultural economists, and legal experts). Drawing on the insights generated in these consultative meetings, the Canadian government could then put out a call for proposals for a stakeholder engagement strategy and a pilot project design. The Canadian government should commit to providing funding, technical expertise, and diplomatic support for these efforts.