

NIV 969012  
By STVSW Date 7/2/71

Department of State

AID (US) 15-8 AFG

XR AID (US) 15-9 AFG

TELEGRAM

XR SOC 10 AFG

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Kabul 4311  
7-12-71

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ACTION AID-R5

INFO OCT-01 NEA-06 EI-04 IGA-02 INR-08 RSR-01 RSC-01 CIAE-00

DODE-00 L-04 EUR-08 /120 W

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PI 121020Z JUL 71  
FM AMEMBASSY KABUL  
TO SECSTATE WASHDC PRIORITY 5612

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AIDAC

SUBJECT: PL 480

REFERENCE: STATE 123928; KABUL 3767 - AID (US) 15-9 AFG

JOINT AID/EMBASSY MESSAGE:

SUMMARY: RGA REQUEST FOR 100,000 TONS WHEAT AS PART OF 350,000 TON IMPORT REQUIREMENT IS FULLY SUPPORTABLE. USAID PROJECTIONS INDICATE DEFICIT OF EVEN GREATER DIMENSIONS. ON BASIS RECENT HELICOPTER SURVEY SITUATION PROBABLY WORSE THAN PREVIOUSLY INDICATED, WITH EXTENSIVE AREAS FACING FOOD/ FEED EMERGENCY. RGA REQUESTS GRANT, BUT IN VIEW NEED EARLY ASSURANCE SUPPLY PROGRAM TO ESTABLISH RGA CONFIDENCE MOVING SOME GOVERNMENT SUPPLIES TO OTHER THAN LARGEST URBAN AREAS AND IN ABSENCE ANY CLEAR VIEW OF NON-COMMERCIAL EMERGENCY DISTRIBUTION MECHANISMS, EMBASSY/USAID RECOMMEND EARLIEST AUTHORIZATION NEGOTIATE 100,000 TON TITLE I PROGRAM ON SAME TERMS AS MARCH AGREEMENT. ADDITIONAL TITLE II REQUEST WILL FOLLOW. END SUMMARY.

1. SUMMARY OF RGA PL-480 REQUEST FOLLOWS:

A. GOVERNMENT'S REQUEST FOR 100,000 METRIC TONS GRANT WHEAT FOR DELIVERY PRIOR END-MARCH 1972 CITES DROUGHT-INDUCED CROP LOSSES FOR TWO CONSECUTIVE YEARS. ESTIMATES CURRENT HARVEST AS ONLY SLIGHTLY BETTER THAN LAST OVER-ALL, WITH INCREASES IN

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IRRIGATED AREA PRODUCTION OFFSETTING DRY LAND DECREASES. TOTAL EFFECT, HOWEVER, IS REDUCTION FROM '69 PRODUCTION BY 348,000 THIS YEAR AND 367,000 TONS LAST YEAR OR TOTAL OF 715,000 TONS.

B. DURING YEAR 1349 SOME 170,000 TONS DISTRIBUTED THROUGH GOVERNMENT CHANNELS INCLUDING STOCK DRAWDOWN 100,000 AND IMPORTS 70,000, BUT PRICE ACTION PROVIDES VIVID EVIDENCE THAT THIS NOT NEARLY ENOUGH. PRICE AT RECORD LEVELS ABOUT AFS. 100 PER SEER IN MANY AREAS COMPARED 45-50 A YEAR AGO. IN EVENT CONTINUATION PRESENT INADEQUATE LEVEL IMPORTS AND GOVERNMENT DISTRIBUTION, FURTHER PRICE RISES TO BE EXPECTED PROBABLY TO AVERAGE INDEX 392 DURING CURRENT YEAR COMPARED 317 LAST YEAR AND 219 PREVIOUS YEAR. ADEQUATE IMPORTS SHOULD REDUCE LEVEL TO AVERAGE BETWEEN 250 AND 275 FOR CURRENT YEAR.

C. AGRICULTURE SECTOR BADLY HIT INCOMEWISE BY TWO-YEAR DROUGHT, INCLUDING EXTENSIVE LIVESTOCK LOSSES. DETERIORATING FOREIGN EXCHANGE WILL BE WORSENED BY REDUCTIONS IN EXPORTS KARAKUL, WOOL AND CASINGS, COTTON AND OTHER AGRICULTURE COMMODITIES. (RAPIDLY RISING DEBT PAYMENT REQUIREMENTS UP 30 PER CENT FROM LAST YEAR AND PROBABLY IN EXCESS 30 PERCENT TOTAL EXPORT EARNINGS.) INTERNAL FINANCIAL STRICTURES ALSO LIMITING DEVELOPMENT BUDGET EXPENDITURES PROBABLY TO A LEVEL LESS THAN 1969. THEREFORE, DROUGHT SITUATION INTERFERING WITH DEVELOPMENT PROGRESS.

D. EMERGENCY FOOD SITUATION WILL RESULT WIDESPREAD HUNGER AND HARDSHIP IN ABSENCE OUTSIDE HELP. GRAIN REQUESTED ON GRANT BASIS. END SUMMARY RGA REQUEST.

2. EMBASSY/USAID ANALYSIS:

A. EMBASSY/USAID ANALYSIS USES SOMEWHAT DIFFERENT PRODUCTION AND CONSUMPTION BASE ESTIMATES AND LATER INFORMATION, WITH EVEN MORE PESSIMISTIC CONCLUSION. AFGHANISTAN HAS BEEN HIT HARD. THIS SUBMISSION HAS BEEN DELAYED IN EFFORT TO OBTAIN BETTER DATA AND ASSESS FACTORS STILL HAVING IMPACT ON CURRENT CROP.

B. THIS EFFORT HEIGHTENED IN LAST TWO WEEKS BECAUSE OF DEEP CONCERN REACHING HIGHEST LEVELS OVER MOUNTING EVIDENCE EXTENSIVE CURRENT AND PROSPECTIVE SHEEP LOSSES, UNSEASONAL SALES OF FLOCKS FOR MEAT AND BLEAK OUTLOOK FOR REMAINDER WHEN THEY COME OUT OF

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HIGH GRAZING GROUND THIS FALL. RESULTS RECENT INVESTIGATIONS VIA RGA-SUPPLIED HELICOPTERS BY RGA, US, UN AND OTHER FOREIGN OBSERVERS SUBJECT SEPTEL DIRECTLY RELATED FEED SITUATION AND

THEREFORE OMITTED THIS MESSAGE EXCEPT CONCLUSION CROP LOSSES PROBABLY GREATER THAN PREVIOUSLY ANTICIPATED ESPECIALLY IN SOUTH AND WEST.

C. THERE ARE SOME DIFFICULTIES IN RECONCILING STOCK AND IMPORT FIGURES, BUT THESE RELATIVELY INSIGNIFICANT COMPARED MAGNITUDE UNKNOWN ON CONSUMPTION AND POPULATION. RGA ESTIMATES A DEFICIT OF 390,000 TONS THROUGH MARCH 1972 AND IS ASKING TOTAL IMPORTS 350,000. USAID STUDY INDICATES HIGHER DEFICIT (460,000 TONS) HIGHER PRODUCTION FIGURES. WITH 350,000 TONS IMPORTS, TOTAL AVAILABLE FOR CONSUMPTION 1971/72 WOULD BE LESS ON RGA DATA AND ON USAID DATA ABOUT SAME AS 1969/70. TAKING INTO ACCOUNT POPULATION INCREASES, THE PROJECTED IMPORT REQUIREMENT ESTIMATE CERTAINLY DOES NOT APPEAR OVERSTATED. THEREFORE, WE SUPPORT IT, STRONGLY SUPPORT THE REQUEST FOR 100,000 TONS FROM THE US, AND SERIOUSLY DOUBT THAT ALL THE BALANCE CAN BE SECURED.

D. PRICES ARE HIGH AVERAGING AFS 81/SEER (\$130 MT) AROUND COUNTRY COMPARED TO 47 AT THIS TIME LAST YEAR AND 32 IN JULY '69. PUBLIC AGITATION HAS BECOME MANIFEST AND MEMBERS PARLIAMENT MAKING CONSIDERABLE ISSUE, CHARGING EXECUTIVE INCOMPETENCE, ETC. POINT IS NOT TO RAISE POLITICAL ISSUE, THOUGH ONE COULD EASILY DEVELOP, BUT TO CONFIRM PRICE MOVEMENTS, EFFECT ON POPULATION, AND INDIRECT SUPPORT THEY GIVE TO CROP LOSS ISSUE. AVAILABLE PRECIPITATION FIGURES INDICATE LAST TWO YEARS DRIEST ON RECORD. ON 13-YEAR AVERAGE INDEX 100, THIS YEAR (ENDING MAY 30) WAS 62, LAST YEAR 70, PREVIOUS YEAR 115. ARGHANDAB AND HELMAND SUPPLIES GREATLY REDUCED -- ARGHANDAB RESERVOIR WILL BE DRY BY ABOUT AUGUST 1. VISUAL OBSERVATION MUCH OF DRY LAND AREA INDICATES LITTLE OR NO CROP; IN MANY SHEEP ALREADY FEEDING ON STANDING STRAW.

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ACTION AID-85

INFO OCT-01 NEA-06 E-04 IGA-02 INR-08 RSR-01 RSC-01 CIAE-00  
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FM AMEMBASSY KABUL  
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3. PIPELINE PICTURE (ACCEPTED THAT END-MAY RGA STOCK FIGURE OF 50,000 TONS IS ABOUT RIGHT, ABOUT MINIMUM FOR THAT TIME OF YEAR, AND THEREFORE SHOULD BE ACCEPTED ALSO AS END-MAY '72 POSITION; I.E., NO DRAWDOWN FOR CONSUMPTION) IS 48,000 TONS FROM PRESENT TITLE I PROGRAM AND 25,000 TONS COMMITTED BY USSR, LEAVING DEFICIT OF 277,000 TONS. AN ADDITIONAL 50,000 TONS EACH IS BEING REQUESTED OF USSR AND CANADA. IF THOSE COME THROUGH WITH 100,000 TONS US, THERE STILL IS UNCOVERED DEFICIT OF 77,000 TONS. PROSPECTS OF THAT MUCH FROM OTHER DONORS IS NOT TOO PROMISING.

4. RGA REQUEST AND ABOVE ANALYSIS BASED ON NORMAL VIEW OF GOVERNMENT SUPPLY REQUIREMENTS FOR ESSENTIALLY URBAN MARKETS. WE BELIEVE FARMER STOCKS ARE AS LOW AS GOVERNMENT AND THAT WITH EXTREME DROUGHT HEAVY DEMANDS WILL BE MADE ON URBAN MARKETS FROM NORMALLY SURPLUS RURAL AREAS. FOR EXAMPLE, HELICOPTER SURVEY FOUND KUNDUZ WHEAT IN QALI NAU BAZAAR IN ISOLATED WESTERN WHEAT AREA AT FOUR TIMES NORMAL PRICE. WE ANTICIPATE SUBMITTING REQUEST FOR TITLE II DISASTER RELIEF GRANT SHORTLY, WHEN METHODS OF REACHING RURAL FOOD/FEED EMERGENCY ARE DEvised, BUT WE NOW REQUEST FASTEST POSSIBLE AUTHORIZATION NEGOTIATE TITLE I AGREEMENT FOR 100,000 TONS FOR FOOD ADMIN DISTRIBUTION THROUGH SALES CHANNELS. IMPROVED MARKET SUPPLY MUST INEVITABLY BE MAJOR PART OF CURE GIVEN AFGHAN ADMINISTRATIVE WEAKNESS, AND ASSURANCE OF SOME SUPPLY WILL BOLSTER RGA WILLINGNESS TO ACT.

5. RECENT TITLE I FINANCIAL TERMS ARE VERY HARD GIVEN HIGH

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TRANSPORT COSTS OF WHEAT INTO AFGHANISTAN. IN INTERESTS OF SPEED WE PROPOSE NO CHANGE FROM MARCH AGREEMENT, BUT UNDER PRESENT CIRCUMSTANCES AND GIVEN LARGER SIZE OF PROPOSED AGREEMENT WE AND RGA WOULD FIND SHOCKING ANY EFFORT BY US TO IMPOSE HIGHER CUP OR OTHER MORE ONEROUS TERMS.

6. PROPOSE SAME SELF-HELP PARAGRAPH AS IN MARCH AGREEMENT. WE ARE NOT SATISFIED WITH PROGRESS TO DATE AND ARE PUSHING FOR MORE PERFORMANCE FROM JOINT COMMITTEES.

7. REQUEST REPLY ASAP.  
DECONTROL FOLLOWING 7-11-73  
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