



RALF Symposium
November 20, 2005



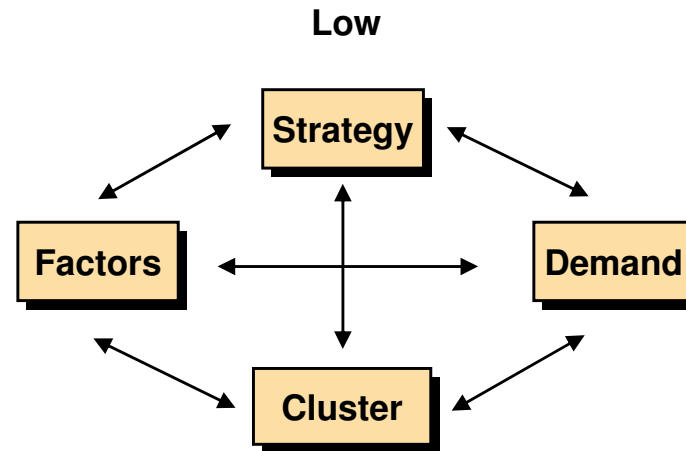
Dried Fruits and Nuts

Afghanistan Dried Fruits & Nuts Competitive Diamond

- Limited domestic rivalry because many processors have ceased operations
- **Marketing of product is opportunistic to very low paying customers**
- + Extremely small number of traders who have established niche customers.

- + Basic dried fruits & nuts are unique and high quality
- + Close proximity to attractive Indian market
- + Entrepreneurial skill set of many returnees will be an advantage in relaunching the sector.
- **Poor processing at all levels results in an unsanitary product**
- **Raisins are cultivated using traditional techniques, not trellises**
- Irrigation systems are in disrepair
- All industry players need training on quality improvement & customer needs

Medium



- + 2/3 of production is consumed locally with excellent knowledge of quality
- + High quality US products are on the local market, indicating demand for first world products.

HIGH

- **Financial sector constrains development with limited investment and working capital, although new financial products are coming online.**
- + Numerous donor programs in place to provide technical assistance with farmer extension, processing, and marketing.
- Limited research & development facilities in the country.
- Transport sector is constrained by questionable business practices of their Pakistani and Iranian counterparts.

Low



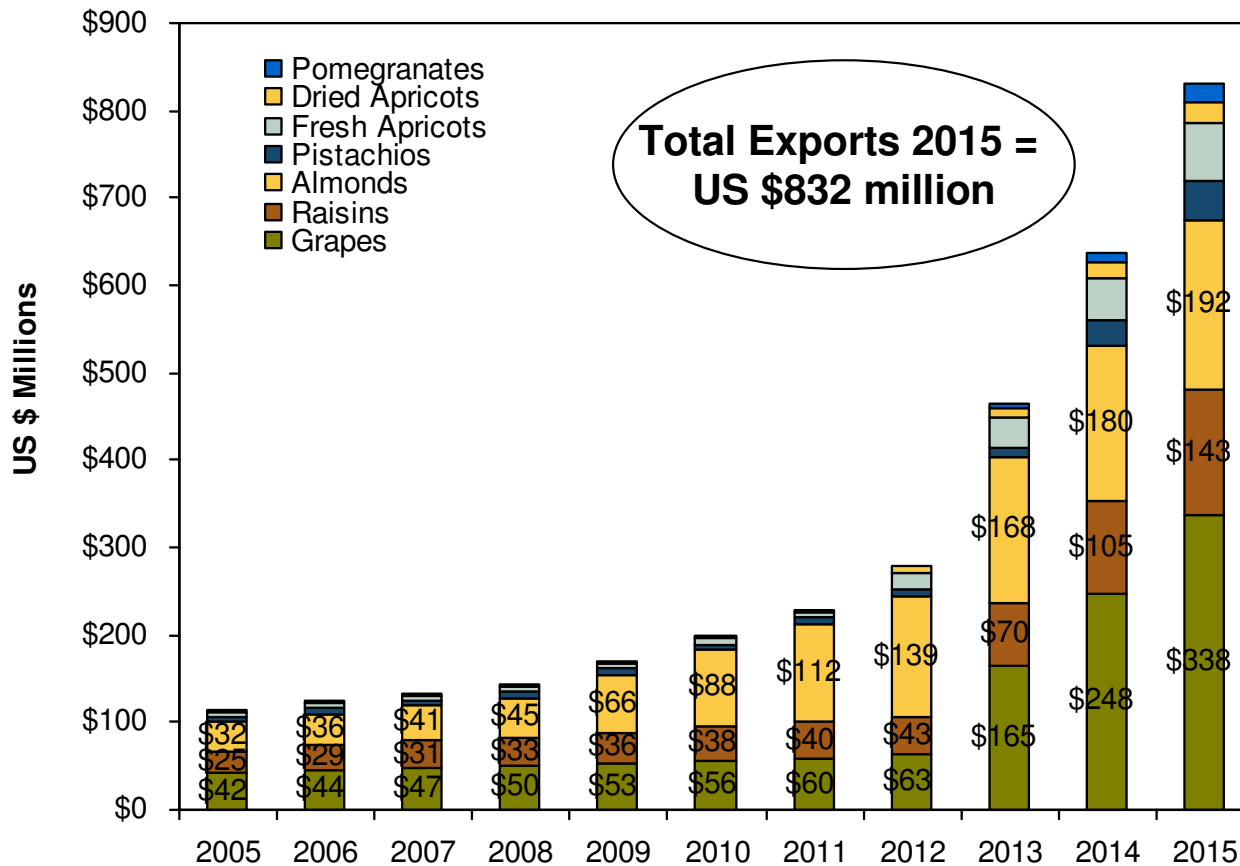
Afghanistan is currently exporting basic products based on what it produces, not what customers need.

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Summary of Proposed Targets

*Exports of Afghanistan's priority horticultural products could go from US \$113 M to **US \$832 million** with heavy investment in marketing, processing, and production.*

Overall Horticulture Export Value Goals (2005 – 2015)



Total exports, 2015	\$832,161,223
Total investment costs	\$520,294,061
Total annual operating costs	\$200,568,582
Total production + exports, 2015	\$1,169,665,323
CAGR 2005-2015, production + exports	16%



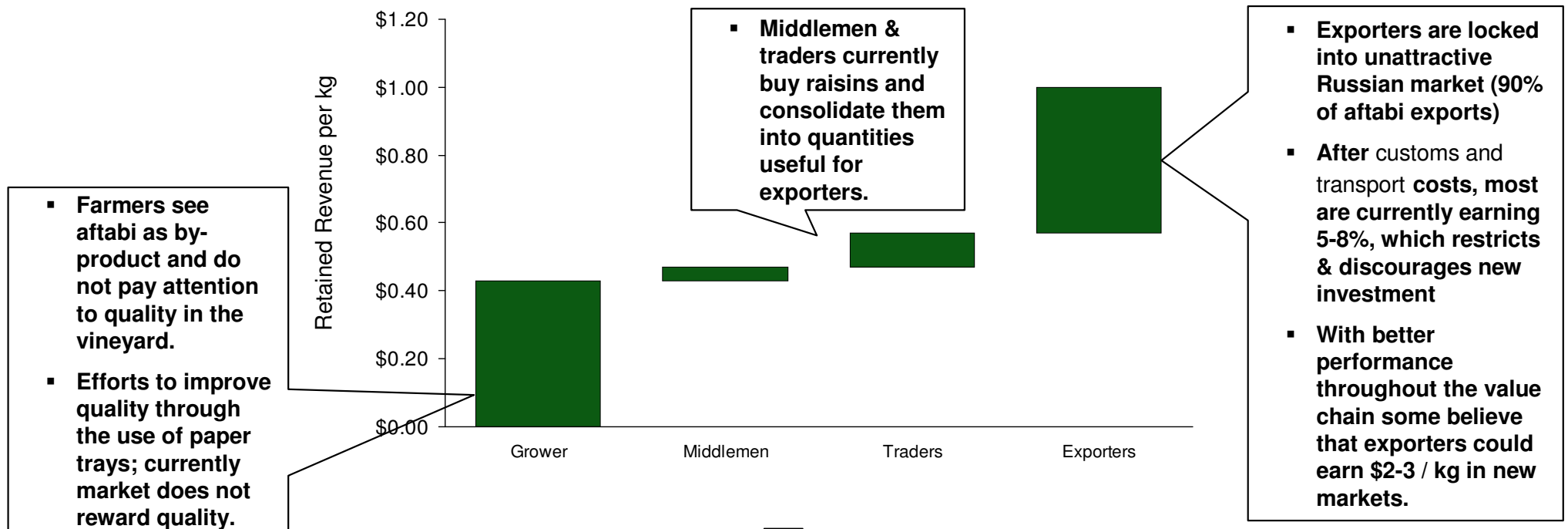
- Volume growth is driven by converting existing orchards and vineyards to commercial management and increasing hectares under cultivation by 75% to 158,000 hectares at a cost of US \$532 million.
- Value growth rates target the average export values of large competitors such as the US, Turkey, and Iran by 2015.
- Total estimated investment cost over 10 years for all components of the action plan is **US \$600 million.**

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Domestic Industry - Value chain for sundried raisin exports

Aftabi raisin quality is negatively affected by poor processing on the farm, intermediaries who do not reward quality, and lack of investment in modern processing equipment.

Retained revenue per kilogram for each component of the value chain: aftabi raisin exports from Mazar to Moscow



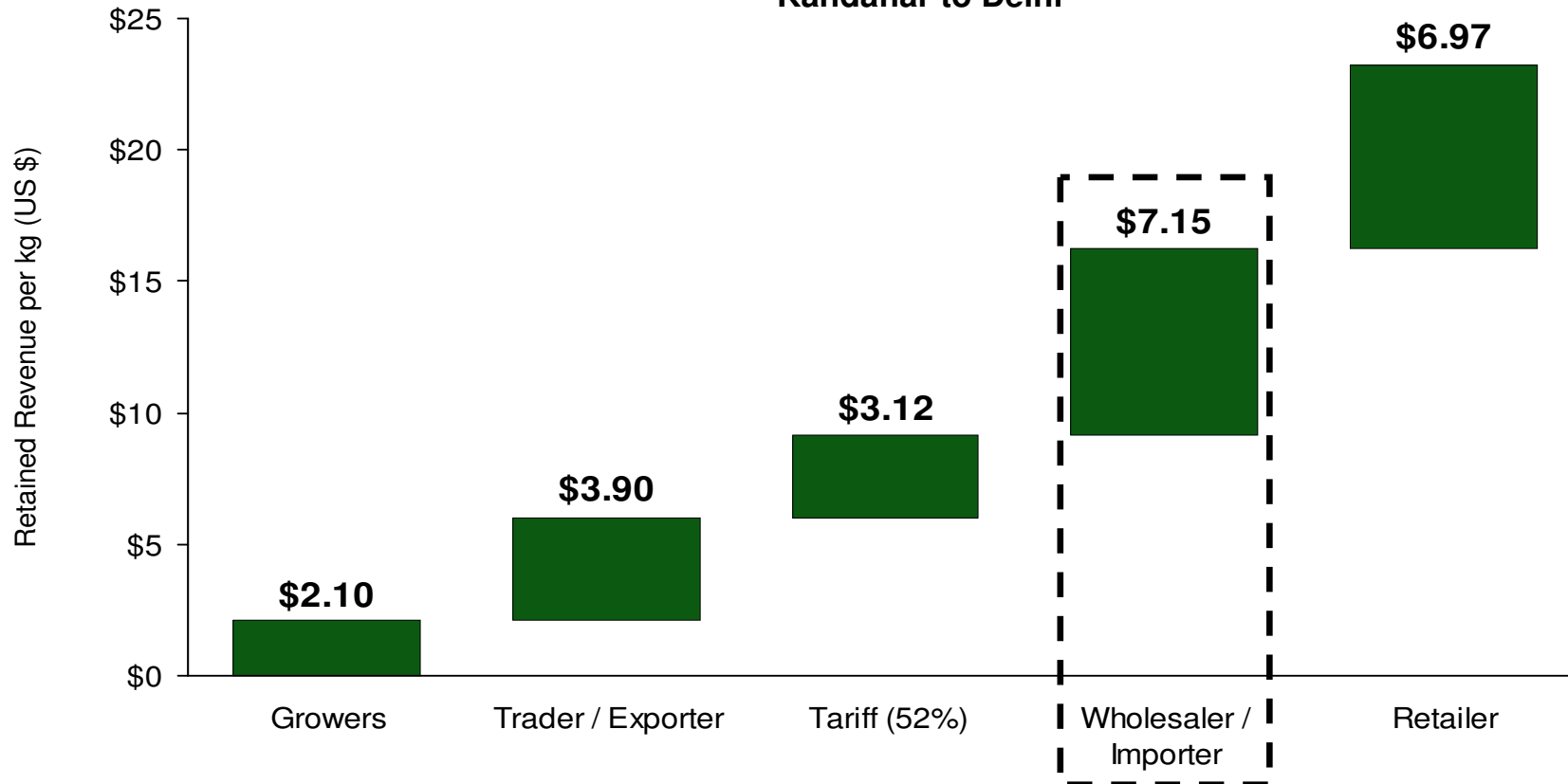
Challenge: improving quality throughout the value chain.

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India Survey Results - Pros and cons of forward integration

Afghan exporters could capture 30-40% more value and begin to learn about retail customers by forward integrating into major Indian wholesale markets.

Retained Revenue per kg: high shundukhani kishmish exports from Kandahar to Delhi



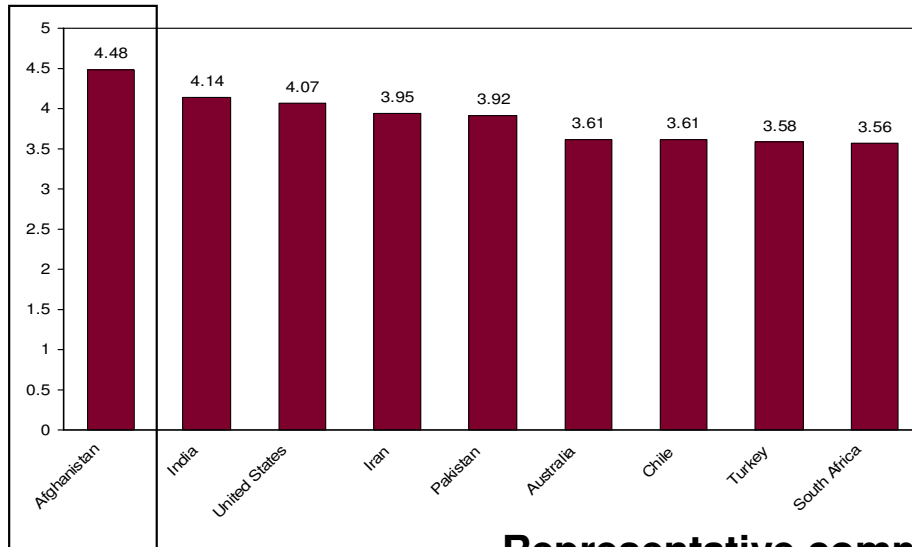
To win in the wholesale market, Afghans will need precise market knowledge of customers and their competitors.

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Afghanistan's Relative Positioning – India

Both Afghan traders and dried fruits & nuts have an amazing natural positioning. Indian buyers trust Afghan exporters and Indian consumers love the taste of the products and pay large premiums for them over competing products from other countries.

**Perceptions of supplier country quality:
Indian wholesalers**



Raisins for sale in Mumbai



Indian raisins for sale at \$3.26 / kg

Afghan raisins for sale at \$5.60 to \$7 / kg

Representative comments from buyers & consumers:

“I can trust 99% of the Afghan buyers that I deal with; they always send good product” – Head of Dried Fruit & Nut importers association in Mumbai

“Afghan raisins are natural and sweet, there’s no bitter taste like the raisins from Nasik (India)” – Mumbai retailer during a focus group



Afghans can capitalize on their strong brand to forward integrate into India and earn higher margins and learn about retail customers.

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Issues, Initiatives and Benefits



- **Outdated processing methods:**

Afghan exporters are currently using 30 year old equipment or do not use equipment at all.

- **Business plan development:** the clusters identified two business models to upgrade the industry: an integrated raisin processing plant and a nut factory upgrade.

- Access to finance for 10 new businesses, equal to approximately US \$1.5 million over the next year.

- **Low production levels:**

exporters have difficulties finding high quality fruits and nuts in local markets because of low orchard and vineyard yields.

- **Investment into vineyards & orchards:** the cluster workgroup with Ministry of Agriculture is developing a plan to upgrade thousands of hectares of vineyards and orchards.

- Increase productivity up to 100% for orchards and vineyards, and income growth for 300,000 farmers.

- **Poor choice of markets:**

exporters are currently serving opportunistic markets such as Russia and Pakistan that pay among the lowest prices in the world for Afghan dried fruits and nuts.

- **Forward integration to India:** instead of selling to customers that approach them, Afghan exporters are determined to pursue the best customers in the world. A group of 15 exporters is now planning to enter the Indian wholesale market.

- Increase revenue between 30 to 40%, gain knowledge of the changing Indian retail market.

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Support to Cluster Initiatives – Transformation of Horticulture

Top Priority: Invest into vineyards and orchards:

- **Short-term:** Develop facilitation of input credits to farmers and collaborate with the Alternative Livelihoods Project in Helmand / Kandahar to implement a pilot project for grape/raisin farmers (begun by OTF and cluster).
- **Long-term:** Design a large-scale investment mechanism for perennial horticulture, which will address grapes, apricots, pomegranates, almonds, and pistachios (with Ministry of Agriculture, the World Bank, OTF and others).

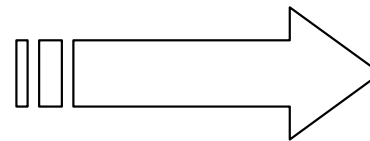
Required CCCA involvement:

- **Invest first into apricot and almond orchards, and vineyards** at an approximate cost of **\$532 million** dollars over the next 10 years. In order to solicit these funds, the public, private, and civic sectors (ie, the CCCA) should ratify this as part of a larger plan to re-launch the sector and then market it to investors.



Juis or earth berms used to grow grapes in Afghanistan. Typical yields: 8.9 mt / HA. Photo courtesy of Tom Brown.

Transformation of the Horticulture Sector



US \$532 million



Modern trellising.

Yields: up to 25 mt / HA