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**Rural Development Centers (Farm Stores) in Afghanistan, Do They Work? The Business Owners' Perspectives**

Tim Kock  
Louis Berger Group  
USAID-Inma Agribusiness Program  
Baghdad Iraq  
tk.kock@gmail.com

Jerry Turnbull  
Louis Berger Group

**Abstract**

*Afghanistan is a country yearning for development and the agricultural sector needs to lead the way. The need for agricultural based businesses was evident throughout the country, rural areas depended businesses that could supply the needed inputs required in agricultural production. This experimental case study describes the yearlong results the USAID funded VEGA P2K development program, the program designed and implemented 12 rural development centers (farm stores) built in Afghanistan during 2009. These businesses provided inputs, credit, wholesaler markets, equipment rental and extension services to farmers. Business owners indicated that all of the aspects of the stores were beneficial to the rural people of Afghanistan.*

**Keywords:** Afghanistan, agriculture, business development and extension

### Introduction

Afghanistan is a country ripe for development; after years of war, the country and its people are in the process of building its future, thus allowing for many different development alternatives. Small business opportunities in all sectors are plausible means of sustainable development, but the agricultural sector leads the way. According to the Food and Agriculture Organization (FAO) of the United Nations (2005) and the United States Agency for International Development (USAID, 2007), millions of Afghans derived their livelihoods from agriculture. Therefore, the country's economy is hinged on agriculture. Toness (2001) suggested agriculture is the center of developing countries; it is the core for sustainable development. Kock, Harder, and Saisi (2010) proposed agriculture is the life-blood of Afghanistan because the economy is dependent on agriculture. According to the World Bank (2005) agriculture accounted for over 50% of the gross national product and the majority of the domestic workforce is employed in the agricultural sector.

The need for agricultural based businesses was evident throughout the country, more so in rural areas where agricultural inputs were badly needed. Shleifer (1998) stated "the private entrepreneurship remains the locomotive for progress" (p. 138). According to USAID (2006) businesses that improve agricultural inputs and animal production are being supported by international donors. However, Afghanistan lacks the infrastructure to support ease of movement and shipping of agricultural products or commodities (USAID, 2009). Therefore, opportunities for rural people to have access agricultural inputs (i.e. education, seed, fertilizer, crop protection products, equipment, and credit) and a place to sell their commodities (i.e. grains, livestock, forage, and fruits) are vital for their livelihoods.

Other regions of the world have had success in establishing rural development centers. According to Androulidakis, Freeman, Bicoku, Peqini, Agolli, and Korra (2002), Albanian farmers benefited from fertilizer and agribusiness dealers (farm stores) created by the International Fertilizer Development Center (IFDC). Albania farmers faced many of the same problems as Afghanistan, lack of trading centers, transportation, educational opportunities, and credit. That program implemented by IFDC worked to create sustainable businesses where farmers would have access to the necessities for agricultural production. The Citizens' Network for Foreign Affairs (CNFA, 2004) postulated Moldova's farmers and agriculture sector benefited greatly from the creation of rural development centers because people had easier access to resources in their villages. Therefore, this paper evaluates the development and value of rural development centers (farm stores) in southeastern Afghanistan.

### The Program

The USAID funded VEGA, P2K (Volunteers for Economic Growth and Agriculture, Paktika, Paktia, and Khost Provinces) farm store project was designed to create sustainable agricultural businesses in rural areas of southeastern Afghanistan (VEGA, 2009). The VEGA consortium (ACDI/VOCA, CNFA, Winrock International, and the Grand Council of Kuchis) teamed with local business owners and communities members to establish rural agricultural centers (farm stores) to supply inputs, education, equipment rentals, and credit to rural people and farmers. These types of businesses have been successful in curbing farmer losses (Deininger, 1997). Natsios (2005) suggested creating local partnerships with stakeholders increases sustainability of development projects. The stores were designed to be a one-stop center for the farmers' agricultural needs. This

development project was partially funded by the USAID and private sector funding provided by local business owners.

The program adapted for Afghanistan was designed to follow the concept developed by CNFA in 2004 and provide private sector business owners startup funds to create rural-based agricultural business centers. According to CNFA (2004) the key component of the farm store concept was to enhance the agricultural infrastructure in developing countries, providing avenues for farmers to purchase quality inputs and services. The VEGA farm stores program provided inputs (i.e. seed, fertilizer, equipment rental, extension, purchasing of commodities, and credit) to Afghan people. Twelve farm stores were created representing 12 districts: three located in Paktika, three located in Paktia, and six located in the Khost provinces. Two stores served as feeder stores to the smaller village-based stores, to serve as the warehouse for goods. As a condition for receiving startup funds, owners agreed to provide farmers free educational programs (similar to extension) centered on relevant agricultural practices.

### **Conceptual Framework**

According to Natsios (2005) the USAID has highlighted nine principles for development, which were adapted from the Nine Principals of War. The agency uses these principals as a guide to design development projects throughout the world. They act as a beacon to for understanding, application and assessment of development projects. Natsios continued, the principals are not a blueprint for development, but a reference for sustainable development. The principals help formalize and strengthen while articulating to others steps for positive development. Furthermore, Natsios (2005) indicated USAID has been on the front lines of development throughout the world, and no other agency has been through a greater

amount of internal review and these principals are the result of that review.

This review has led USAID to implement a framework when implementing development. The principles of reconstruction and development entail the ability to create *ownership* of the people, build *capacity* in the country, create *sustainable* programs, *selectivity* of needs for benefactors, *assessment* of the needs in the regions, create *measurable* results, build *partnerships* within the country, be *flexible* and adapt to changes as they arise, and build *accountability* and transparency in the programs (Natsios, 2005).

### **Purpose and Research Questions**

The purpose of this descriptive study was twofold: 1) to gain a better understanding of the issues facing rural Afghans, 2) and determine if the stores were beneficial to the areas. Four basic questions guided the development of the survey instrument: 1) How did respondents earn an income before owning a farm store, 2) was the farm store owner willing to invest personal funds in the store, 3) what sectors of the farm store were important to the customers, and 4) was owning a store beneficial for the respondents and their families?

### **Methods and Data Sources**

The 12 benefactors for the program were vetted through extensive interviews regarding agricultural knowledge and financial ability for business ownership. Therefore, owners needed to be members of the communities where the farm stores were located. To ensure backing from community elders; participants needed to be in good standing within their communities. Local VEGA employees worked with elders to create a list of possible participants. The survey instrument was created by local employees and expatriate management staff for the VEGA project. Using local employees in the design of the instrument

ensured the questions would be answered and insured no questions would offend the local tribal cultures deemed important to the areas.

The pre-farm store survey was implemented to the 12 owners between February and April 2009, and the post-farm store survey was implemented in November of the same year. The instrument was written in English and translated to Pashtun, the native language for southeastern Afghanistan. Because of the high illiteracy rate in Afghanistan, estimated between 70% - 90% (USAID, 2006), VEGA staff members read each question to the participants. However, because of extreme security issues in the region, travel was limited to certain areas and three surveys were conducted via phone and not in person. The response rate was 100% for both pre- and post-surveys. Using a five point Likert-type scale, store owners were asked 25 questions regarding operations, services, and economic benefits. The questionnaires were analyzed using descriptive statistics, comparing the differences between pre- and post-store ownership.

**Findings**

**Pre-farm Store Ownership Data**

Data derived from the pre-farm store survey indicated the majority of respondents family income was over 10,000 USD, and the respondents spent 10-20 hours working as an employee for someone else. For the construct of pre-farm store ownership, 75% stated owning a farm store would be very important, and 83% would be willing to invest 25,000 USD or more of their own money to open a store. As for perceived difficulties with owning a store, almost half (47%) believed providing services to farmers would be the most difficult aspect, while only 25% felt making a profit would be most difficult. When asked how many employees and the number of hours those employees would work, data indicated farm store owners employed 5 – 15 full time employees.

Half (50%) of the respondents indicated sales between 0 -15,000 USD for the projected first year sales for the store, and the other half (50%) indicated projected sales over 15,000 USD. Moreover, data indicated almost half of the potential store owners (N = 12) perceived they would generate 1,000 or more customers in the first year (see Figure 1).

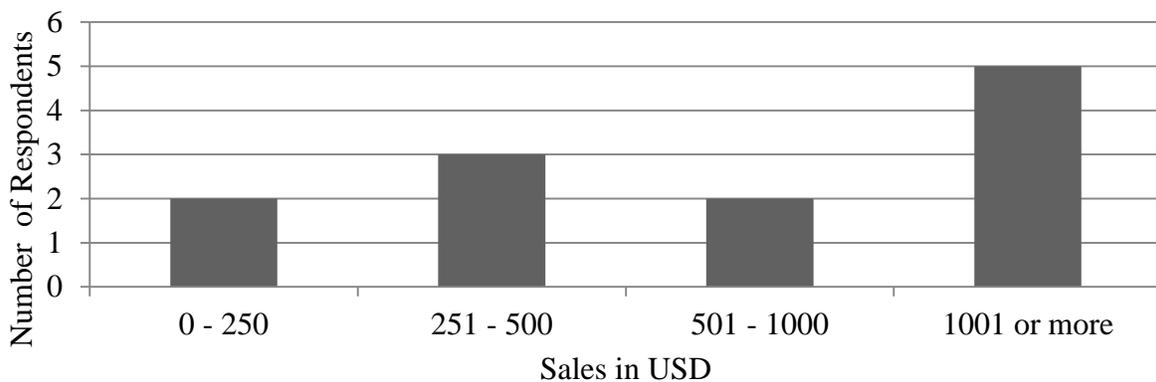


Figure 1. Perceived number of potential customers for first year of business.

When asked which goods or services offered at the new store would be most important, over half (83%) of potential owners indicated equipment rental followed by seed and fertilizer sales (75%). Data also indicated new business owners perceived they would need training in technical agriculture and business management to effectively operate a store. When asked the level of importance for different attributes of

farm store services, 75% indicated seed/fertilizer would be very important, 66% indicated purchasing farmer produce was important, 83% indicated equipment rental would be very important, 58% perceived Extension services would be very important, 66% indicated having access to credit would be very important, and 75% indicated providing credit to farmers would be important (see Table 1).

Table 1  
*Pre Farm Store Ownership Survey, Level of Importance for Selected Store Services*

N = 12	No	Somewhat	Important	Very important
	<i>f</i>	<i>f</i>	<i>f</i>	<i>f</i>
Seed/fertilizer			3	9
Purchase farmer produce		1	8	3
Equipment rental		1	1	10
Extension services			5	7
Owner access to credit		2	2	8
Farmer access to credit			3	9

When asked about other possible support participants (owners) would receive from VEGA, 100% of the store owners indicated education would be very important. To gain a better understanding of the participants, a series of demographic questions were asked. When respondents were asked how owning a farm store may benefit their families, 75% indicated it would increase their income. Additionally, data demonstrated almost half of the respondents had 16 or more people in their families, with 91% indicated their children attended school daily, and 66% indicated owning a store would make it easier for their children to attend school. When asked about dietary habits, 100% indicated their family ate three meals per day; however, 84% consumed rice/vegetables daily, while only 16% of the families consumed meat products daily.

**Post-farm Store Ownership Data**

In November, the post-farm store survey was conducted using the identical

methods as indicated for the pre-farm store survey. This allowed most farm stores to operate for almost a year, while a few had only operated for about six months. Data indicated the actual family income for participants ranged around 5,000 USD, and 66% of the store owners worked 40 hours or more at their shops. When asked if owning a farm store was still important to them, 50% indicated important, while 50% indicated very important. When asked about their actual financial investment, 58% indicated they invested 25,000 – 50,000 USD in their farm stores. They also indicated they employed 0 – 10 employees full time, with 75% stating annual sales around 10,000 USD. Data also exposed approximately 500 to 1000 customers visited the stores over the course of the year.

Furthermore, the study collected data regarding which attributes of the farm store were the most important for the customers, with 42% suggested equipment rentals were most important. All respondents also indicated they needed more training

regarding business management and technical agriculture. In the post-farm store survey store owners were asked the level of importance for different attributes of farm store services, with 66% indicating seed/fertilizer was important, 50% indicating purchasing farmer produce was

very important, 58% indicating equipment rental was important, 75% perceived extension services to be very important, 75% indicated having access to credit was important, and 58% indicated providing credit to farmers was important (see Table 2).

Table 2

*Post Farm Store Ownership Survey, Level of Importance for Selected Store Services*

N = 12	No	Somewhat	Important	Very important
	<i>f</i>	<i>f</i>	<i>f</i>	<i>f</i>
Seed/fertilizer			8	4
Purchase farmer produce		2	4	6
Equipment rental			7	5
Extension services			3	9
Owner access to credit			9	3
Farmer access to credit		2	7	3

When asked about the educational support owners received from VEGA, 50% of the participants indicated education was important. However, 41% indicated the educational support was very important. Delving further, a series of demographic questions were asked. The respondents were asked how owning a farm store benefitted their families, with 50% indicated a better community image, while 25% purposed increase in time spent with family. Additionally, the data reported over half of the respondents had family size of six to fifteen members, with 58% indicated their children attended school on a regular basis. When respondents were asked if owning a farm store helped to send their children to school, 66% responded somewhat. Moreover, respondents were asked questions regarding their dietary habits, with 100% indicated their family continued to eat three meals per day; however 83% consumed meat as a staple in their diets.

### **Comparison of Pre & Post Farm Store Owners' Responses**

The pre-farm store survey data indicated there was a decline in the respondents' family incomes. The majority

of pre-farm store respondents (58%) stated their family incomes was over 10,000 USD, however, post-harvest survey data gleaned 58% of the respondents' family incomes were around 5,000 USD; a substantial change in incomes. The data also indicated store owners worked more hours after opening a farm store than they perceived they would before the stores were opened. Before owning a store, 66% of respondents perceived they would work between 10 – 20 hours at the store, but after opening the shops respondents reported working 40 hours or more. When asked in the pre-store ownership survey if owning a store was important, 75% indicated it was very important, however, the data from the post-store survey indicated only 50% perceived it was very important.

When asked about their willingness to invest in the store, 33% indicated they were willing to invest 25,000 – 50,000 USD, however, data for actual financial investment for the respondents indicated 58% invested 25,000 – 50,000 USD of their own money in the stores. Furthermore, 50% of the respondents also indicated in the pre-store ownership survey they assumed they

would generate first year sales between 15,000 USD or more; however, post ownership data indicated 75% of respondents' actual first years sales were

around 10,000 USD. As for pre- and post-numbers of customers, 100% of the respondents indicated 500 or more customers the first year (see Figure 2).

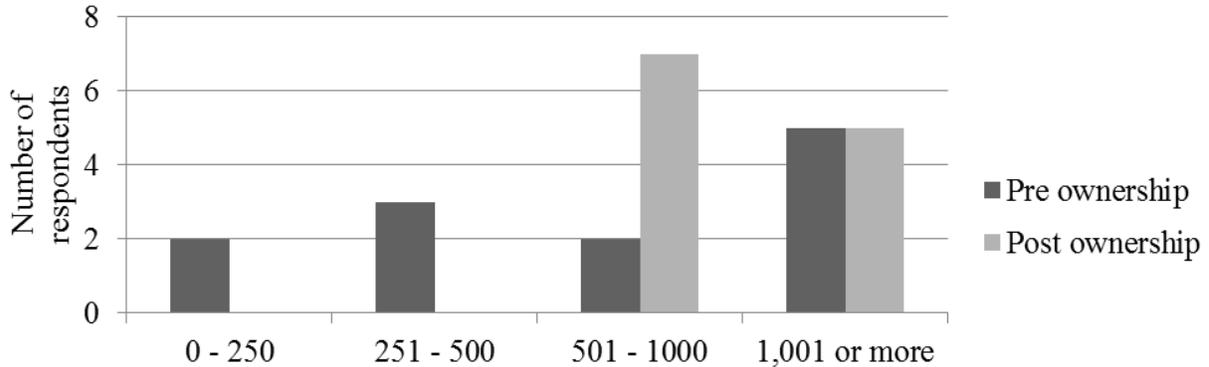


Figure 2. Comparison of respondents for pre-survey and post-survey for store customers.

A comparison of pre- and post-farm store survey data regarding the level of importance for different attributes of farm store services indicated changes in perceptions of several functions of the stores. There was a substantial significant change regarding importance of

seed/fertilizer sales, a positive change in purchasing farmer produce, an ample change in equipment rental, a slight positive change in extension services, a sizeable change regarding the store owner's availability to credit, and extensive change in credit to farmers (see Table 3).

Table 3

Comparison of Pre & Post Ownership Survey, Level of Importance for Selected Store Services

	PRE				POST			
	N	SW	I	VI	N	SW	I	VI
N = 12	<i>f</i>							
Seed/fertilizer			3	9			8	4
Purchase produce		1	8	3		2	4	6
Equipment rental		1	1	10			7	5
Extension services			5	7			3	9
Owner credit		2	2	8			9	3
Farmer credit			3	9		2	7	2

Note: N = No, SW = Somewhat, I = Important, VI = Very Important

When comparing the remainder of the data, respondent family sizes decreased, family incomes decreased, community image increased, and dietary habits of the families changed. They consumed more protein in their diets. Because of the world economic crisis and hard economic times facing all donor nations, the VEGA project was terminated early; therefore, the researchers asked respondents if the early

termination of the VEGA project was harmful for their businesses. All respondents indicated the shutdown was very harmful to their businesses.

**Conclusions and Recommendations**

This study examined outcomes of a rural development center (farm store) program, and determined which aspects of the program were beneficial to the owners

and farmers. Recipients were selected for this program through extensive interviews, local perceptions of the participants, and regional aspects based on needs of the communities. No stores were identical in their makeup because the stores supplied goods and services needed by people and farmers in those specific regions. The nine principles of development illustrated selectivity, assessment and flexibility as means to maximize effectiveness. Respondents actually invested between 25,000 and 50,000 USD in their farm stores, which supports Natsios (2005) who stated ownership is an aspect of development. This is critical because when people or communities perceive they own the development, the possibility of sustainability increases. Respondents also indicated the educational programs implemented through the VEGA program were beneficial to them. Additionally, Natsios (2005) defined capacity building as the transfer of knowledge to individuals, which in turn enhances the long-term ability of the recipients.

Store owners perceived all functions of the stores as either important or very important. This supports research conducted by CNFA (2004) where the researchers indicated all aspects of the rural development centers were a benefit to rural Moldovan people. However, at the end of one year of operation major changes included the level of perceived importance for seed/fertilizer sales, rental of equipment, extension services, and credit for both owners and farmers. The year-end results indicated there was a level of sustainability in the program.

Seed/fertilizer sales were a staple for stores; however, after one year of operation many owners indicated it was very important. Farmers could purchase those inputs from other sources if needed. As for equipment rental, less than half of the respondents indicated equipment rental was very important. One possibility for the

difference could have been the VEGA program was shut down early because of the world economic crises and farm stores did not receive the equipment that was originally planned for each store. The importance of extension services increased over the year as owners realized the value of providing farmers with information as a valuable asset to the store. Research conducted by Androulidakis et al., (2002) found agro-dealers providing extension services to farmers enhanced the capacity of the businesses. This finding is supported by Swanson and Samy (2002) who suggested private sector extension has become important for the transfer of knowledge and training of farmers. Private sector extension services are important avenues for technological change and are vital for agricultural growth (FAO, 2009; Mellor and Ranade, 2002).

Another important sector for each store was credit, specifically financial credit for the owners and the ability to provide financial credit to the farmers. Respondents perceived credit to be important for their businesses. Research conducted by Kelly, Akinwumi, Adesina, and Gordon (2003) found credit was important for agro-dealers to restock inventory and increase other aspects of the stores. Credit allowed dealers to rely more on themselves than donors for financial needs. Those researchers also extrapolated that supplying credit to farmers increased demand of inputs, effectively increasing sales for the store.

Respondents of the program also indicated a positive change in community image; they were respected by others for owning a store, being a business owner benefited their families. They also indicated the size of their families decreased as a result of owning a business. One possibility for this may be that store owners moved into their shops and no longer live in extended family units, a common practice in afghan culture. Respondents also indicated a change in their dietary staples as demonstrated by

after owning a store; respondents consumed more meat (protein) products. However, their incomes decreased after owning a store. This may be a result of moving their immediate families to their stores and not counting the incomes of members of their extended families. The results from the program indicated the program had aspects of sustainability and outcomes that benefited the recipients and their families. Therefore, the researchers would suggest when designing, implementing, and evaluating development projects it is critical to understand the principles for development and to use these principles as a map when in the field. Furthermore, programs need to fit the local communities and be profitable for the recipients. Understanding those principles may be beneficial for the implementer and recipients of the project. According to Kock and Edwards (2007), established, successful programs should be studied when creating similar programs. These benchmarks will afford effective planning for future programs as well as possible improvements to existing programs.

### Implications

Donors want a return on their investment. This return can be measured by the results or outcomes of a program. Therefore, understanding positive steps for creating those results is important. Programs need to generate incomes for recipients and benefit communities, thereby improving the return on the investment in development. According to Natsios (2005) seasoned development agencies have incorporated the principles into their programs. Implementing programs built on ownership, capacity building, selectivity, partnerships, and flexibility increases the likelihood for sustainability. CNFA (2010) postulated the Afghanistan Farm Service Alliance (AFSA) project established seven privately owned farm stores, which opened in 2006-2007 provided \$8.6 million worth of inputs to 20,000 rural Afghan farmers. Moreover,

Natsios concluded development programs will not be sustainable if local communities and people do not believe they have ownership. This can be true for the individual, community, and country where development is concerned. Only time will tell if the businesses described in this study are sustainable.

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