

## **Case Study**

# **India's experiences in licensing poppy cultivation for the production of essential medicines**

*Lessons for Afghanistan*



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# Contents

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<b>About the Author</b>	<b>5</b>
<b>Executive Summary</b>	<b>7</b>
<b>1. The history of poppy cultivation in India</b>	<b>9</b>
1.1 Early legal control of poppy cultivation	
1.2 Introduction of licensed poppy for medicine programmes	
<b>2. Social and economic benefits of poppy cultivation in India</b>	<b>11</b>
<b>3. Poppy for medicine projects in India: licensing, cultivation and medicine production</b>	<b>13</b>
3.1 Licensing poppy cultivation for sale of harvests to the Indian government	
3.2 The annual licensed poppy cultivation cycle	
3.3 The resolution of interesting issues in Indian poppy industry	
3.4 The national and international market for Indian opium	
<b>4. Lessons for Afghanistan</b>	<b>23</b>
4.1 Poppy licensing regulates prices	
4.2 Local national and international cooperation needed to license poppy in Afghanistan	
4.3 Eradication: ineffectual and fuelling terror	
<b>Conclusion</b>	<b>27</b>
<b>Annexes</b>	<b>29</b>

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## **About the Author**

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## Executive Summary

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From a drug crop control perspective, it is clear that ineffective counter-narcotics programmes are significantly contributing to Afghanistan's security and development crises. Destroying the livelihood of millions of Afghans without providing sufficient alternative development initiatives has provoked extreme poverty and discontent in rural areas and forced poppy farmers towards the illicit opium trade. Poppy cultivation is increasing despite enormously expensive eradication efforts by the United States-led international community, as Afghans battle the instability that severe food insecurity and frequent bombing brings to their lives. The time has come for an urgent re-assessment of counter-narcotic policies. Licensing poppy cultivation for medical purposes in Afghanistan, long refused by the international community despite its success in Turkey and India, is the only way to break the Taliban's growing control and bring Afghan farmers into a supportive relationship with the Karzai government.

The current opium crisis in Afghanistan can only be solved by looking for creative and effective solutions: the licensed poppy cultivation systems in India and Turkey represent an extremely positive example for Afghanistan. India has licensed poppy cultivation for international exportation of raw poppy materials and for the internal manufacture of medicines since independence in 1947. Controlled by the central Indian Government, the controlled exploitation of this natural resource brings the country a gross profit of USD 40 million each year. Apart from the obvious benefits to the national economy and to the pharmaceutical industry, which produces cheap poppy-based medicines for severe pain relief, licensed poppy cultivation has also had significant benefits for Indian farmers. Sustainable attractive incomes have resulted in economic diversification and an improvement in socio-economic conditions in rural villages.

Based on lessons learned in India and Turkey, licensed poppy cultivation projects would provide Afghan farmers with the economic resources, and the central government with

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the popular legitimacy, that they desperately need.<sup>1</sup> Licensed poppy cultivation for medical purposes currently exists in several countries, such as Turkey and India, fulfilling some of the global need for poppy-based medicines such as morphine.

Important lessons from the experiences of Indian farmers, administrators and security experts could inform the implementation of a Poppy for Medicine project in Afghanistan. The role played by the Indian farming villages, and in particular the role played by the village headman, in controlling poppy cultivation and limiting diversion in licensed poppy cultivation projects has empowered a variety of stakeholders. This lesson is particularly relevant with regards to the social control hierarchies present in Afghan rural societies.

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<sup>1</sup> Poppy licensing in Turkey took place in the 1970s in conditions analogous to those of present day Afghanistan. At this time, Turkey was one of the world's biggest illicit opium producers, but with US support and after it became clear that a policy supported farmers' interests was the key to national stability, in four years, poppy licensing brought opium production under control. See: ICOS, *A Political History of Poppy Licensing in Turkey*, May 2006 [online]. Available at: [http://www.icosgroup.net/modules/reports/Turkey\\_Poppy\\_Licensing\\_Political\\_History](http://www.icosgroup.net/modules/reports/Turkey_Poppy_Licensing_Political_History).

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# 1. The history of poppy cultivation in India

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India has a long history of controlled poppy cultivation and profiting from its associated revenues. The Mughal Emperor Akbar, who ruled India from 1543 to 1605, was the first to collect revenue from opium cultivation in India. According to *Ain-I-Akbari*,<sup>2</sup> during this period poppy was cultivated throughout nearly the whole of North India and parts of Central and Western India.

Following the arrival of the British in India, in the mid 1770s the country's first opium Agents office was established in the Faizabad palace of neutralized Nawab Sajad ud Dawla, and is still operational today. The British collected revenue from poppy farmers to whom they had allotted land parcels specifically for poppy cultivation. By 1773, the East India Company held a monopoly over the entire poppy cultivation operations in Bengal, Bihar, Benares and Orissa, and established opium agencies. The East India Company introduced a system of contracts for dealing in opium, which were auctioned to the highest bidder. Under this system, cultivators were penalised if they did not deliver their entire harvest to the contractors. The farmers were paid a pittance and the contractors kept most of the profit, provoking discontent and misery.

## 1.1 Early legal control of poppy cultivation

The Bengal Regulation IV of 1797 appointed Government Opium Agents to control the purchasing and processing of poppy in state factories at Patna and Ghazipur. The Opium Act of 1857 followed, tightening the rules for cultivation, procurement and manufacture of poppy materials, and the Opium Act of 1875 regulated the inter-state export of opium and its derivatives. The restrictions contained in this 1875 Act are seen by many as responsible for the low levels of morphine consumption in most of India's states.

Attempts by the British Government of India to restrict poppy cultivation centred on moral concerns over the widespread consumption of opium and its derivatives. In 1924,

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<sup>2</sup> These are known in English as the *Annals of Akbar*.

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with the growth of international opinion against opium addiction, India's Congress Party passed a resolution stating that the Government's opium policy was against the moral welfare of the people and recommended the banning of all poppy cultivation in India.

## **1.2 Introduction of licensed poppy for medicine programmes**

After Independence in 1947, the new Indian Government overhauled India's poppy industry, and prohibited the smoking and eating of opium throughout the country.<sup>3</sup> Coinciding with the development of the international treaty system controlling the production of raw poppy materials, the Opium and Revenue Laws (Extension of Application) Act came into force, superseding all previous opium laws and providing for the licensing of approved poppy farmers, and confining the cultivation of poppy to just three states: Uttar Pradesh (UP), Madhya Pradesh (MP) and Rajasthan.<sup>4</sup> This new law amalgamated all the provincial government agencies previously responsible for the administration of India's old narcotics laws, namely, the Opium Act of 1857 & 1878 and the Dangerous Drugs of Act 1930. The amalgamation of these agencies in 1950 laid the foundation for the Opium Department, which is presently known as Central Bureau of Narcotics (CBN). India's Central Narcotics Bureau now has sole responsibility for licensing the cultivation of poppy, and oversight of the processing of raw poppy materials in the country's two poppy-based medicines factories.

However, by the early 1980s, it was thought that the 1947 Drug Act was not stringent enough and contained too many loopholes to effectively control the increasing abuse of new synthetic substances in India. Thus, in 1985, the Indian Government passed the Narcotics Drugs and Psychotropic Substance Act. This new drugs law significantly increased penalties for drug abuse (including 10-20 year prison sentences), and immediately reduced the availability and consumption of morphine within India. Despite the 2001 relaxation of certain provisions in the law, morphine consumption for the control of pain has not yet increased to even pre-1985 levels.

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<sup>3</sup> This prohibition exempted existing addicts until they died.

<sup>4</sup> India is one of the largest opium producers for international export, providing raw poppy materials to the US and the UK, among others, through the INCB control system, regulated by the 1961 Single Convention on Narcotic Drugs. As such, the country's opium production is limited by official estimates of international demand, which are based on the consumption of the previous two years.

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## **2. Social and economic benefits of poppy cultivation in India**

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India's long history of controlled poppy cultivation has led to the development of a specific social infrastructure among those involved. Because the number of poppy farmers is restricted by the licensing system, which is itself regulated by the international demand for raw poppy materials, a poppy farmer is considered a privileged and an influential person in a village. These farmers often own the only car or tractor in the village; they educate their children outside the village; and their houses are considered to be well-constructed, compared to unlicensed farmers. As well as compulsorily selling their poppy harvests to the Indian Government, poppy farmers receive not insubstantial profits from the by-products of poppy cultivation. Poppy seeds are sold (wholesale) for approximately USD 2 per kilogramme, while the dried poppy stalks can sell for approximately USD 3 per metric tonne.

In licensed poppy farming villages, agricultural workers and expert harvesters receive a higher wage than agricultural labourers in non-poppy farming communities. Benefits to the community are indirect but can include, for example, community wells and irrigation channels that are maintained by the poppy farmers. The economic benefits of licensed poppy cultivation largely stay with the poppy farmers, but the village council receives a small tithe from these farmers which contributes to the installation of community resources such as hand pumps or the renovation of a school.

Out of all the cash crops available to Indian farmers, poppy provides the highest earnings, and both the central and state governments benefit from its cultivation. Under the 150 year old State Excise Act applicable on poppy husk and the Purchase Tax levied at the rate of 48% on the price paid per kg of opium, the state governments earn up to USD 15 million annually. From its administration of the entire licensed poppy cultivation and export processes, the central Indian government earns an annual net profit of USD 25 million. As well as generating revenues, licensed poppy cultivation provides the central government with the capacity to produce essential medicines like morphine and pethidine

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cheaply. Although the consumption of these medicines within India is restricted by rigid rules, it is clear that the Indian government has an important tool to ensure the pain relief of its population.

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### 3. Poppy for Medicine projects in India: licensing, cultivation, and medicine production

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#### 3.1 Licensing poppy cultivation for sale of poppy harvests to the Indian government

The licensing process determines which farmers can legally cultivate poppy, the harvests of which are then all sold to the Indian government to be manufactured into medicines or exported. Cultivation licenses are provided by the legal officer of the Central Bureau of Narcotics (CBN). The Central Bureau of Narcotics is headed by a Narcotics Commissioner, based in Gwalior, Madhya Pradesh. Each of the three opium cultivating states of Madhya Pradesh, Rajasthan and Uttar Pradesh is supervised by a Divisional Narcotics Commissioner (DNC) who is equally assisted by Assistant Narcotics Commissioners (ANCs), Divisional Opium Officers, Enforcement superintendents, Inspectors, sub-Inspectors and by special police constables known as *sepoys*.

After the opium has been weighed and the final field tests of the purity of the opium received for each farmer, the Minimum Qualifying Yield (MQY) for the following year is calculated.<sup>5</sup> All the cultivators who have exceeded the previous season's MQY are eligible for licenses to cultivate poppy the following year; for example if the MQY was 60 kg per hectare for any one year, the poppy farmer would need to provide that amount in order to be issued with a license for the next year. However, only farmers already cultivating poppy can apply for a license; no newcomers can access the licensing system. Most farmers are only allowed to cultivate 10 *ares*, but some high-performing farmers are permitted to cultivate up to 20 *ares*.<sup>6</sup> Payment for the poppy harvests is made on a graded basis: the higher the yield the more the farmer receives. Farmers who continue to

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<sup>5</sup> The Minimum Qualifying Yield (MQY) is a very important diversion-prevention measure. The MQY is the minimum yield of opium that a license-holder must produce each harvest, or risk severe penalties, including the loss of his or her license. The MQY is set according to historical yield levels. The MQY is set at a level that leaves no excess harvest for the licensee to divert into the illegal market.

<sup>6</sup> An *are* is a measurement of land equal to 100 square metres, and 10 *ares* is equal to one tenth of a hectare, or half an Afghan *jerib*.

generate yields higher than the MQY can also be considered for licenses to cultivate larger areas the following year.

In August or September, the poppy harvest policy for the next year is announced and that year's MQY (usually higher than the previous year<sup>7</sup>) is fixed, as well as the new procurement price for opium. The lists of qualifying farmers are published and a date is given for licenses to be issued in each Divisional Opium Officer's jurisdiction. Between October and November farmers are issued with cultivation licenses, in the form of electronic smart cards. These cards contain all relevant personal details for the past 10 years pertaining to the licensed farmer, including whether he or she had ever been convicted for breaching licensing provisions: if so, a license will not be issued.

<b>Table 1: Government pricing incentives for higher harvest yields</b>		
<b>Yield per hectare</b>	<b>Price per Kg</b>	
	<b>Rupees</b>	<b>USD</b>
< 44 Kg	750/-	18.75
> 44 Kg and < 48 kg	800/-	20
> 48 kgs and < 52 kg	860/-	21.5
> 52 kg and < 54 kg	1,075/-	26.88
> 54 kg and < 56 kg	1,100/-	27.5
> 56 kg and < 58 kg	1,150/-	28.75
> 58 kg and < 60 kg	1,200/-	30
> 60 kg and < 62 kg	1,475/-	36.88
> 62 kg and < 68 kg	1,500/-	37.5
> 68 kg and < 70 kg	1,600/-	40
> 70 kg and < 86 kg	1,625/-	40.63
> 85 kg and < 90 kg	1,900/-	47.5
> 90 kg and < 100 kg	2,000/-	50
> 100 kg.	2,200/-	55

The farmers are not given any special training but are selected on the basis of their existing expertise; these farmers are often being licensed annually for decades. At the time of issuing these licenses, the Government's Agriculture Department establishes stalls offering the best fertilisers, pump sets, water procurement techniques and other allied expertise. Some banks also set up temporary offices to give immediate bank loans so that the farmers do not borrow from money lenders. As such, the poppy farmer is both controlled by and fully integrated into the government's licensing system.

### **3.2 The annual licensed poppy cultivation cycle**

Licensed poppy cultivation and selling involves multiple actors within the village, and is administered by the village headman. Poppy seeds from the farmers' own stocks are

<sup>7</sup> This is usually higher in order to exclude from the licensing system poor farming practices, as well as farmers who divert their harvests to illegal channels.

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sown from mid November. However, in India the Agricultural Universities continue to develop new varieties, and these are continuously tested in collaboration with the farmers. In January, each field is measured to detect excess cultivation. Usually the flowers blossom approximately 90 days after sowing. Organic manures and chemical fertilisers are used and each field requires watering approximately twelve times per season.

After another fortnight, when the petals begin to fall, the bulbs are ripe for latex extraction by incision (lancing). The workers who lance the bulbs are experts and are paid at least USD 5 per day plus incidental expenses. Sometimes these harvesters are from the farmer's family, but they are more often lancing specialists who hire out their services from village to village, including to unlicensed poppy farmers in the hills. Lancers use a four-pronged blade called a *neshtar*. Lancing is repeated at least four times and the gum is collected next morning, after which it is stored in the house of the cultivator for about a month. This stock is frequently checked by the village headman, (who receives a commission for his efforts), and is checked again by the enforcement parties of the CBN. A daily lancing record is kept in the CBN's Provisional Weighment Register, and all farmers and village headmen must sign and date their daily agreement with this official record. During this sensitive period, licensed farmers and village headmen work together to limit diversion and theft.

<b>Table 2: Poppy cultivation costs in India, per hectare</b>							
	<b>EXPENDITURE.</b>	Madhya Pradesh 2004-05		Rajasthan 2004-05		Uttar Pradesh 2004-05	
		INR	USD	INR	USD	INR	USD
1.	Land Revenue & Taxes.	10	0.25	25	0.63	12	0.3
2.	Cost of Ploughing the field	500	12.5	200	5	560	14
3.	Cost of Manure	2,000	50	1,200	30	1,000	25
4.	Cost of Fertilizers.	800	20	250	6.25	300	7.5
5.	Cost of spreading manure and fertilisers.	250	6.25	120	3	60	1.5
6.	Preparation of field/ water channels.	250	6.25	70	1.75	200	5
7.	Cost of seed used.	260	6.5	260	6.5	300	7.5
8.	Cost of watering	2,000	50	1,000	25	400	10
9.	Cost of weeding out and loosening	1,250	31.5	1,860	46.5	1,500	37.5
10	Lancing of the capsules and collection of opium.	2,500	62.5	4,500	112.5	2,500	62.5
11	Cost of harvesting and Threshing of crop.	200	5	100	2.5	1,000	25
12	Any other expenditure	1,000	25	700	17.5	500	12.5
<b>13</b>	<b>Total Expenditure</b>	<b>11,020</b>	<b>275.5</b>	<b>10,285</b>	<b>257.14</b>	<b>8,320</b>	<b>208</b>

In April, the harvest is brought to the official weighing centres for sale to the Indian government. The 16 divisions of the Central Bureau of Narcotics each have three official weighing centres, which are open for up to a fortnight. The purity of opium is checked by field tests. The opium is graded by the government and provisional payment of 90% of the amount due to the farmers is made immediately. The opium is sent in special secure trains to the two government-run poppy-based medicine factories. Here the opium is dried for export and a small proportion is processed into morphine for local consumption.

<b>Table 3: Licensed Poppy farmers' net income, 2004-05</b>						
Net income per hectare	Madhya Pradesh		Rajasthan		Uttar Pradesh	
	INR	USD	INR	USD	INR	USD
Income from opium	72,000	180	72,000	1,800	36,000	900
Income from poppy seeds	150,000	3,750	104,000	2,600	128,000	3,200
Price of poppy husk	12,000	300	12,000	300	60,000	1,500
Total Income	234,000	5,850	188,000	4,700	224,000	5,600
<b>Net profit</b>	<b>123,800</b>	<b>3,090</b>	<b>85,150</b>	<b>2,120</b>	<b>140,800</b>	<b>3,520</b>

Like any other economic activity, licensed poppy cultivation is subject to economic fluctuation: however, as it is legal, poppy prices increase at normal rates and farmers are not dependent on the manipulation of prices by traffickers. Even if need varies sharply over the years, the advantage of Indian gum opium is that it can be stocked for years whereas Concentrate of Poppy Straw (CPS) can be kept for only two years.<sup>8</sup> The table below provides an indication of how the prices of opium have increased steadily. The prices of inputs like daily wages for labour, fertilisers (organic and chemical) and non-irrigation water have also increased.

<b>Table 4: Indian Poppy for Medicine Industry</b>				
<b>Crop Year</b>	<b>Quantity of opium produced in (metric tons)</b>	<b>Average Indian yield (kg/hectare)</b>	<b>Total money paid to farmers (USD million)</b>	<b>Average price paid to farmers (USD/kg)</b>
1996-97	<b>1,271</b>	51.71	17.6	13.89
1997-98	<b>335</b>	33.14	4.1	12.45
1998-99	<b>1,382</b>	47.40	21.1	15.28
1999-2000	<b>1,705</b>	53.14	35.2	20.66
2000-01	<b>995</b>	55.02	22.8	22.92
2001-02	<b>1,055</b>	57.19	24.4	23.16
2002-03	<b>684</b>	55.52	18.18	26.59
2003-04	<b>1,096</b>	58.95	33.9	30.97
2004-05	<b>446</b>	56.94	14.9	33.48
2005-06	<b>427</b>	61.21	13.8	32.38

### **3.3 The resolution of interesting issues in Indian poppy industry**

#### ***Licensed poppy cultivation for medicine production: an economic success story***

Poppy for medicine schemes take place in three region of India: Uttar Pradesh, Madhya Pradesh and Rajasthan. In Uttar Pradesh, this policy has been highly successful in provoking economic diversification. The profits from Poppy for Medicine projects in this region, which produces poppy harvests with particularly high morphine content, were invested into other crops and their industries, meaning that poppy farming is no longer

<sup>8</sup> Concentrate of Poppy Straw (CPS) is the one of the raw materials used in the production of essential poppy-based medicines such as morphine and codeine. Other raw poppy material supply countries such as France, Spain and Australia produce CPS through a highly technological production process involving the processing of the entire poppy plant, rather than just the opium latex found in the poppy flower bulb heads.

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the most profitable activity and opium no longer the preferential cash crop. As such, cultivation in Uttar Pradesh is now being phased out to avoid diversion of poppy to the illicit opium trade. In 2006, just one percent of India's licensed poppy farmers were from Uttar Pradesh.

### ***Unlicensed cultivation***

In India, illegal poppy cultivation has always occurred. Communities deprived of immediate medical assistance still use poppy-based traditional medicines. In these communities, poppy is also used as offerings at festivals and rituals. However, since the reduction in legal poppy cultivation, there has been an organised increase in illicit cultivation in the plains. This year in two West Bengal districts bordering Bangladesh approximately 6,300 hectares of illicit poppy cultivation was destroyed. A further 800 hectares were eradicated in a Myanmar bordering district of Arunachal Pradesh in the north east of India, but unlicensed cultivation is increasing rapidly in the North Indian states of Kashmir and Uttaranchal.<sup>9</sup> Licensing rather than destruction is a solution that must be debated. Poppy cultivation in these areas is entrenched by poverty and licensing poppy cultivation would help alleviate this problem. Two states, Arunachal and Himachal, have proposed that poppy cultivation be licensed, but the central government dismissed these proposals until further assessments can be made.

### ***Combating diversion and securing the harvest***

Although the system of licensed poppy cultivation, sale and processing in India represents a positive use of natural resources that provides revenue to farmers and to the government, and cheap medicine to those who need it, certain areas remain problematic. Diversion is the biggest source of worry for government officers. During harvests when the crop is damaged,<sup>10</sup> the risk of smuggling can be very high. On average, it is estimated that as much as twenty percent of opium produced by licensed farmers is diverted.<sup>11</sup> In

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<sup>9</sup> This increase in unlicensed cultivation is a socio-economic problem that cannot be resolved through knee-jerk reactions such as forced eradication.

<sup>10</sup> Damaged crops, through drought or storms, seriously affects the Government's official estimates of yields, making diversion throughout the harvest period less detectable by village headmen and monitors.

<sup>11</sup> These estimates are based on the estimated actual yield in each village in each zone over a decade, on the yield that is being currently given and on the estimated number of opium addicts.

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Uttar Pradesh, diversion became clear after several cultivators produced almost double the crop of their neighbours. Although this difference was in part due to some farmers using more sophisticated farming methods, diversion of the crop was a clear factor in this situation. Government and state control systems can thus identify problematic cultivators and take steps to limit diversion. Furthermore, security and village patrols are essential to preventing leakage of the opium stored in villages and knowing which villages should be patrolled. Success in doing so often requires experience and hard work. With approximately 72,500 farmers working on about 6,900 hectares it is necessary to anticipate problems at every stage and to secure the harvest through integrated local, state government and central government control processes.

### ***Administrative and legal issues***

Central to the relationship between the buyers (the government) and the sellers (the farmers) is the bureaucratic apparatus that structures the process of licensed poppy cultivation and sale. Meetings with cultivators are held before the next year's opium policy is announced and are often forums for in-depth discussions about the previous year's performance, the next year's MQY and procurement prices. The time limits given to licensing and apportioning areas for cultivation always lead to pressure upon the administration as deadlines approach. Legal issues include dealing with court cases arising out of licenses denied to farmers who have not provided the MQY the previous year.

### ***Water shortages***

Practical issues for farmers often revolve around water. Every field of 10 *ares* requires watering about 12 times per season which entails about 10,000 litres at each watering. The opium poppy plant is very delicate and farmers must protect it from bad weather like frost, wind and untimely showers which can destroy a crop partially or completely. If the harvest suffers, the farmer can appeal to the Central Bureau of Narcotics to have the remaining crop uprooted to preserve his license for the next year. In such cases, a great deal of care must be taken to prevent diversion as there are always some plants remaining in damaged harvests from which latex can be extracted.

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### 3.4 The national and international market for Indian opium

India's production of licensed opium is steadily decreasing (Table 4). According to International Narcotics Control Board estimates based on their closed supply and demand systems, consumption of poppy-based medicines, especially morphine, has reached saturation levels in the world: according to the INCB, there is even a surplus despite the fact that 80% of the world's population has little or no access to these medicines. Within India, consumption has also decreased, due to restrictive regulation rather than high prices. The morphine chart below shows the drastic fall in consumption after the implementation of a tough narcotics act in 1985.

The World Health Organisation estimates that 10 million new cases of cancer are diagnosed every year and that over 6 million people die from the disease annually. According to projections, the mortality rates for cancer will double over the next 20 years, with over two thirds of the cases rising in less developed countries where the disease is often diagnosed at an advanced stage. Another 2 million suffer from extreme physical pain caused by accidents and war.

The need for poppy-based pain killers will keep increasing but high prices (up to USD 10 for a 10 mg tablet) in most developing countries and over-cautious regulations controlling prescription are restricting morphine usage.

<b>Financial Year</b>	<b>Gross profit (USD millions)</b>	<b>Net Profit (USD millions)</b>
1996-97	USD 31.2	USD 24.08
1997-98	USD 50.7	USD 29.12
1998-99	USD 41.1	USD 25.1

The companies that are buying Concentrate of Poppy Straw (CPS)<sup>12</sup> and opium latex internationally are making huge profits, while urging raw material importers in the developing countries to keep their prices down. In India, a 10 mg tablet costs USD 0.10, while a 60 mg tablet is USD 0.13 but morphine manufacture still represents a profitable exercise for the Government of India. However, appallingly, in Latin American countries

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<sup>12</sup> Concentrate poppy straw: the poppy straw method of opium extraction is practiced in all other opium exporting countries apart from India. The poppy straw method extracts the alkaloid opiates from the plant itself using a chemical extraction method.

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the cost of a single 15 mg tablet is USD 15. Within Afghanistan itself despite the increase of chronic pain and cancer patients, there has been very little consumption of morphine in the years following 1987.<sup>13</sup>

It seems possible that the main objection against licensing poppy cultivation in Afghanistan – a country potentially able to match India’s low prices for poppy-based medicines – stems from a fear on the part of some of the richer developed countries that their pharmaceutical industries would lose a considerable part of their immense profits.

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<sup>13</sup> Pain & Policy Studies Group, University of Wisconsin/ WHO Collaborating Centre

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## 4. Lessons for Afghanistan

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India represents a positive example of a national licensed poppy cultivation policy that enhances farmers' revenues and provides affordable relief solutions to those in severe pain. As such, Afghanistan could stand to learn important lessons for poppy licensing that must take place to ensure the livelihood of poppy farmers, the economic renaissance of rural Afghanistan and greater support for the Karzai government and their international allies.

### 4.1 Poppy licensing regulates prices

In Afghanistan, a gap exists between the supposed high returns of illicit poppy farming and the subsistence living that is a reality for many farmers and their families. According to the UNODC Rapid Opium Poppy Survey of February 2007, an Afghan opium farmer is supposed to earn about USD 4,900 per hectare. The average yield per hectare was calculated last year to be about 37 kilograms.<sup>14</sup> This means that the farm-gate cost of opium is about USD 132 per kg. In the opium growing villages of Afghanistan, there is no external evidence of such wealth in rural areas. Afghanistan is an impoverished country where most people live on an annual income of about USD 500. The farmer receives a pittance from the sale of opium. The numerous warlords and their contractors take the lion's share after adding a protection tax on their produce. At the same time, the cost of high purity Afghan heroin being increasingly seized on India's border with Pakistan is between USD 7,000 - 8,000.

*If opium cultivation was licensed in Afghanistan, the farmer would receive a higher proportion of the farm-gate price.*

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<sup>14</sup> See Table 4 for the average yield in India

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## **4.2 Local national and international cooperation needed to license poppy in Afghanistan**

In contrast with the Afghan situation, India has a 450 year history of *control* over its opium poppy cultivation and production of opium. Combined international experience can shorten the learning span, but improvements will be hard fought and require cooperation from all stakeholders in the licensing and control process. Another challenge will be to reduce corruption within the security infrastructure in order to make licensing programmes work. Currently, on the Iran side of the border the seizures are more than 6 times as much as on the Afghan side. There is no doubt that legitimacy must be given to the opium cultivation industry in Afghanistan in order to engage all stakeholders in a legal structure that regulates the cultivation, sale and processing of opium. Every village in Afghanistan has its local governance structure called the *shura*. This body has immense power and influence within their community. They have the power to steer the villagers in any direction necessary. The *shura* has the legitimacy and authority to implement, regulate and control an entire community's committed participation in a licensed poppy cultivation project. In Afghanistan, where there is currently 100% diversion, there will be a need for better trained and higher paid officers and a real investment on behalf of the national government and its international allies. For 6,900 hectares of opium producing land, India has more than 1,000 trained and experienced officers to secure it. Poppy licensing in Afghanistan represents an opportunity to provide mass employment and training and reconcile new actors with a village-based state-supervised enterprise.

While the long term goal of counter-narcotics policies must be the reduction of illegal drug crop cultivation, the short term aim should be to check it by the most reasonable means. The Karzai government and the international community's fight is against the Taliban and insurgents, not the poppy farmers, who, effectively caught between ineffectual eradication policies and poverty, are forced towards the illicit market.

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### **4.3 Eradication: ineffective and fuelling terror**

Afghanistan needs new counter-narcotics policies now. Half-hearted, well-televised, acts of destruction of a field or two in a corner of Helmand or Uruzgan are just charades. According to the UNODC Afghanistan Farmers Intentions' Survey 2003/4 approximately 12,000 out of approximately 31,000 villages in the country cultivate poppy. This number is steadily increasing despite the concentration on enforcement activities and destruction of poppy fields. Keeping in mind that eradication is ineffective and enforcement and preventive methods to check galloping illicit cultivation have failed, a practical policy to reduce or control cultivation of poppy must be worked out. Licensing poppy cultivation for medicine production is the only feasible alternative. Its advantage is that it will have the support of about 2 million people, who earn their livelihoods from it. If government-sponsored crop destruction was no longer a threat, the farmer would be better equipped to break links with the Taliban, with government help.

A soldier with the Afghan Army or the Border Police is paid just USD 35 per month. Trained, semi-trained and ill-trained soldiers are crossing over to the Taliban, not for ideological or religious reasons but for money: the rising cost of living is making everyday life extremely difficult for ordinary families everywhere in Afghanistan. The Taliban pays a new soldier USD 200. Within a few months he can be earning USD 400 per month, and along with this he receives board and lodgings, uniforms and weapons. A viable and secure employment alternative is needed to counter the economic incentives offered by the Taliban. As such, licensing poppy cultivation is an increasingly attractive alternative in order to prevent poppy growing revenues from being forcefully diverted to the Taliban. From the author's discussions during field research with officers and soldiers in Herat and Nimroz provinces of Western Afghanistan, it is clear that what experts are calling the growing "destabilisation" of the country, is directly linked to the increase in heroin trafficking and re-mergence of a stronger, bolder and better equipped Taliban. Eradication policies put forward by the international community in the past five years have been proved to be entirely ineffective. The time has come to try something new.

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<b>Table 6: Comparison of licit and illicit earnings from opium production</b>		
	<b>Licit cultivation: India</b>	<b>Illicit cultivation: Afghanistan</b>
Average yield per hectare	61.21 kg	37 kg
Total production	427 mt	6100 mt
Cost per kg of fresh opium	USD 32	USD 94
Cost per kg of dried opium	USD 110	USD 125
Average gross income from opium per family	USD 1,060	USD 1,700
No of persons involved in cultivation	72,478	2.9 million
GDP	USD 4,156 trillion <sup>15</sup>	USD 6.7 billion
Gross profit	To Government of India: USD 41.1 million (2000)	To traffickers: USD 2.34 billion

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<sup>15</sup> India, CIA Factbook, [online]. Available at: <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html#Econ>

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## **Conclusion: Poppy for medicine: a positive use for an important resource**

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India's experiences with poppy licensing can provide numerous lessons for Afghanistan. Licensing poppy cultivation would provide the local and national economies with resources to promote diversification and boost development and reconstruction. Poppy licensing represents a means of harnessing natural resources for legitimate uses rather than working against rural populations by eradicating their livelihood. The tables in the attached annexes indicate the comparative economic benefits village-based government-run Poppy for Medicine can have.

Afghanistan provides 90% of the world's opium and opiates and 100% of this is currently being diverted into the illegal drugs trade, when it could be used to make pain medicines. Despite all the emphasis on enforcement and the billions of dollars spent on strengthening interdiction capabilities of the Afghan army, police and border police, illicit poppy cultivation and drug trafficking has increased markedly. The time for recycling restrictive and outdated drug crop control concepts is over. The Government of Afghanistan and its international partners must act before illegal opium production spirals out of control and the drug traffickers and the Taliban become further entrenched in the Afghan countryside and economy. Following India's example, it is clear that poppy licensing systems work by harnessing a potentially subversive crop, and it could provide similar economic benefits to the local and national economy in Afghanistan. Eradication has failed. The only way Afghanistan can avoid remaining the world's main source of illegal opium is to follow the international example and license poppy cultivation for the production of medicines.

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## Annexes

<b>Indian Licensed Poppy for Medicine Industry, 2001-2006</b>					
<b>CROP SEASON</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06 (Prov.)</b>
<b>AREA LICENSED/HARVESTED IN HECTARES</b>					
Madhya Pradesh	10,373/7,889	9,692/4,800	9,642/8,565	4,236/3,876	3,637/3,500
Rajasthan	9,160/8,421	8,873/6,683	9,339/8,461	4,354/3,918	3,492/3,411
Uttar Pradesh	3,314/2,137	1,845/837	2,160/1,565	180/39	123/65
<b>Total</b>	<b>22,847/18,447</b>	<b>20,410/12,320</b>	<b>21,141/18,591</b>	<b>8,770/7,833</b>	<b>7,252/6,976</b>
<b>NUMBER OF VILLAGES LICENSED HARVESTED</b>					
Madhya Pradesh	1,684/1,648	1,654/1,550	1,735/1,721	1,228/1,218	1,128/1,128
Rajasthan	2,135/2,110	2,071/1,998	2,127/2,098	1,368/1,338	1,211/1,211
Uttar Pradesh	1,264/1,074	1,181/876	1,311/1,181	161/87	105/84
<b>Total</b>	<b>5,083/4,832</b>	<b>4,906/4,424</b>	<b>5,173/5,000</b>	<b>2,757/2,643</b>	<b>2,444/2,423</b>
<b>NUMBER OF CULTIVATORS LICENSED/ACTUALLY HARVESTED</b>					
Madhya Pradesh	51,863/46,823	48,459/33,358	48,207/46,553	42,351/39,215	36,352/35,799
Rajasthan	46,057/43,923	44,364/39,282	46,695/43,931	43,532/39,406	34,909/34,614
Uttar Pradesh	16,566/11,098	9,219/4,631	10,795/8,071	1,787/396	1,217/706
<b>Total</b>	<b>114,486/101,844</b>	<b>102,042/77,271</b>	<b>105,697/98,555</b>	<b>87,670/79,017</b>	<b>72,478/71,119</b>
<b>OPIUM PRODUCED (IN TONNES) AT 70°C</b>					
Madhya Pradesh	468	264	509	234	219
Rajasthan	503	387	523	211*	206
Uttar Pradesh	84	33	64	1*	2
<b>Total</b>	<b>1,055</b>	<b>684</b>	<b>1,096</b>	<b>446</b>	<b>427</b>
<b>AVERAGE YIELD PER HECTARE AT 70°C (kg)</b>					
Madhya Pradesh	59.32	55.06	59.43	60.37	62.57
Rajasthan	59.73	57.91	61.81	53.85*	60.39
Uttar Pradesh	39.30	39.43	40.89	43.15*	30.77
<b>Total</b>	<b>57.19</b>	<b>55.52</b>	<b>58.95</b>	<b>56.94</b>	<b>61.21</b>
<b>PAYMENT TO CULTIVATORS (IN LAKH RUPEES) (rounded off)</b>					
Madhya Pradesh	4,274	2,719	6,355	3,141	2,820
Rajasthan	4,739	4,194	6,431	2,674	2,557
Uttar Pradesh	519	181	510	9	16
<b>Total</b>	<b>9,532</b>	<b>7,094</b>	<b>13,242</b>	<b>5,824</b>	<b>5,393</b>

*Note: - Figures for the crop year 2005-2006 are provisional.*

\* Figures are provisional.

<b>Price paid to farmers per kg of opium, 1999-2006</b>				
<b>Crop Year</b>	<b>1999-2002</b>	<b>2002- 2003</b>	<b>2003-2004</b>	<b>2004-2006</b>
<b>Yield per hectare</b>	<b>Price per kg (INR)</b>	<b>Price per kg (INR)</b>	<b>Price per kg (INR)</b>	<b>Price per kg (INR)</b>
Up to 44 kg	630/-	650/-	720/-	750/-
44 to 48 kg	650/-	700/-	770/-	800/-
48 to 52 kg	650/-	750/-	825/-	860/-
52 to 54 kg	800/-	925/-	1,025/-	1,075/-
54 to 56 kg	800/-	950/-	1,050/-	1,100/-
54 to 58 kg	800/-	1,000/-	1,100/-	1,150/-
58 to 60 kg	800/-	1,050/-	1,150/-	1,200/-
60 to 62 kg	1,100/-	1,250/-	1,400/-	1,475/-
62 to 68 kg	1,100/-	1,300/-	1,430/-	1,500/-
68 to 70 kg	1,100/-	1,350/-	1,525/-	1,600/-
52 to 54 kg	1,100/-	1,400/-	1,550/-	1,625/-
80 to 85 kg	1,200/-	1,400/-	1,550/-	1,625/-
85 to 90 kg	1,200/-	1,500/-	1,800/-	1,900/-
90 to 100 kg	1,200/-	1,600/-	1,900/-	2,000/-
Above 100 kg	1,400/-	1,700/-	2,100/-	2,200/-

<b>Exports of Indian Opium, 1995 to 206</b>	
<b>Financial Year</b>	<b>Exports in metric tonnes</b>
1995-1996	555
1996-1997	537
1997-1998	735
1998-1999	528
1999-2000	650
2000-2001	574
2001-2002	495
2002-2003	495
2003-2004	484
2004-2005	368
2005-2006	505