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GAIN Report

Global Agricultural Information Network

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Kazakhstan - Republic of

Grain and Feed Update

Kazakhstan Grain and Feed Update Report

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Report Highlights:

FAS/Astana's wheat production estimate for Kazakhstan remains unchanged at 13.5 MMT in MY 2017/2018 (Oct/Sep), and the new forecast for MY2018/19 is down to 13.4 MMT due to a slightly smaller area planted. Similarly, Post's barley production forecast remains unchanged at 2.7 MMT in 2017/18. The export forecast is also unchanged at 7.5 MMT. Lack of grain hoppers in October 2017, created transport delays and grain was stuck in elevators even during the high export season. A new Minister of Agriculture was appointed in December 2017, which could lead to a new policy agenda.

Post: Commodities:

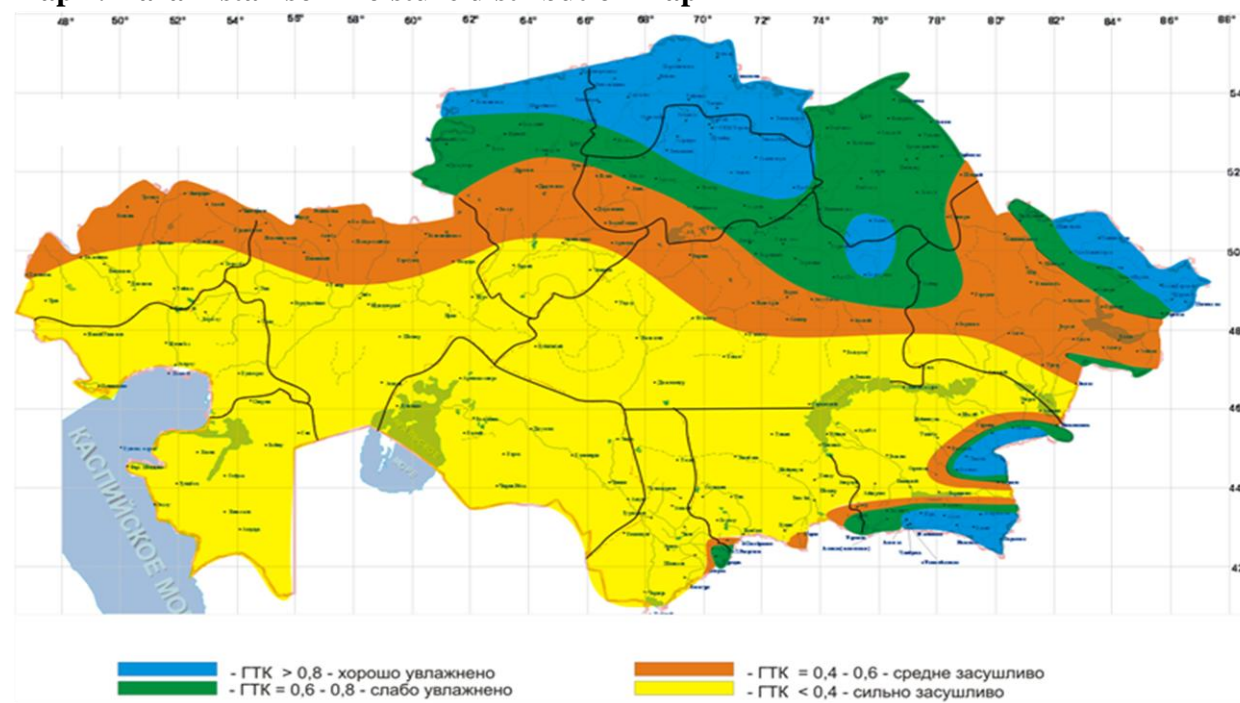
Astana Wheat, Barley

PRODUCTION

The Kazakh Statistical Service will release its official statistical report on MY 2017/2018 production in early February. While official statistics are pending, FAS/Astana estimates MY 2018/2019 wheat production in Kazakhstan at 13.360 MMT due to slightly decreased planting area. As noted in prior reports, the Government of Kazakhstan has provided strong financial incentives for farmers to switch to growing oilseeds and this is reflected in smaller wheat acreage.

KazHydroMet, the Kazakhstan weather forecasting agency, published the below soil moisture distribution map of Kazakhstan using long-term historical data.

Map 1. Kazakhstan soil moisture distribution map



GTK (in Russian) is abbreviation of the Hydrometric Coefficient

Blue – GTK > 0.8 good level of precipitation

Orange – GTK= 0.4-0.6 average dry

Green – GTK = 0.6-0.8 low level of precipitation

Yellow GTK < 0.4 – severely dry

Finally, FAS/Astana estimates barley production in MY 2018/2019 at 2.6 MMT, down from the Post forecast for MY2017/18 of 2.7 MMT due to slightly smaller area as farmers switch to oilseeds.

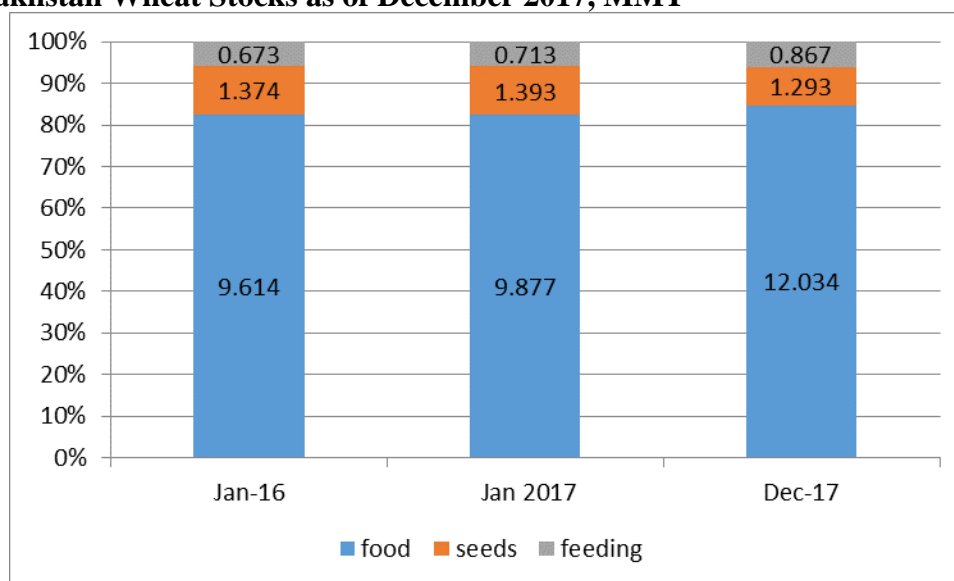
CONSUMPTION

Food, Seed, and Industrial (FSI) consumption of wheat is expected to remain unchanged at 4.8 MMT in marketing year 2018/2019. Flour consumption is expected to grow in tandem with population growth, which is minor.

Feed use of wheat in MY 2018/2019 is forecast flat in spite of expected increase in livestock production. Although wheat remains the most fed grain in Kazakhstan for livestock, most of the increase in feeding in the near future is expected to be in barley and other feed grains and grasses because of the government’s strategy to diversify production away from a wheat monoculture. In MY 2018/19, feed use of barley is forecast at 1.7 MMT, on par with Post’s MY2017/18 forecast, but it is expected to increase in the long term as new feed mill projects in Kazakhstan come online and demand for barley increases.

Wheat stocks for food as of December 1, 2017 (the most recent available data), are 21 percent higher than in January 1, 2017, reaching 12 MMT. This is due to active exports during the winter season, when farmers sell their commodity on EXW ¹ grain storage with rail connection (see Chart 2 below). Stocks in Kazakhstan typically increase at this time of year because farmers keep their grain stored on-farm where it is not officially counted as stocks, until prices increase in the winter.

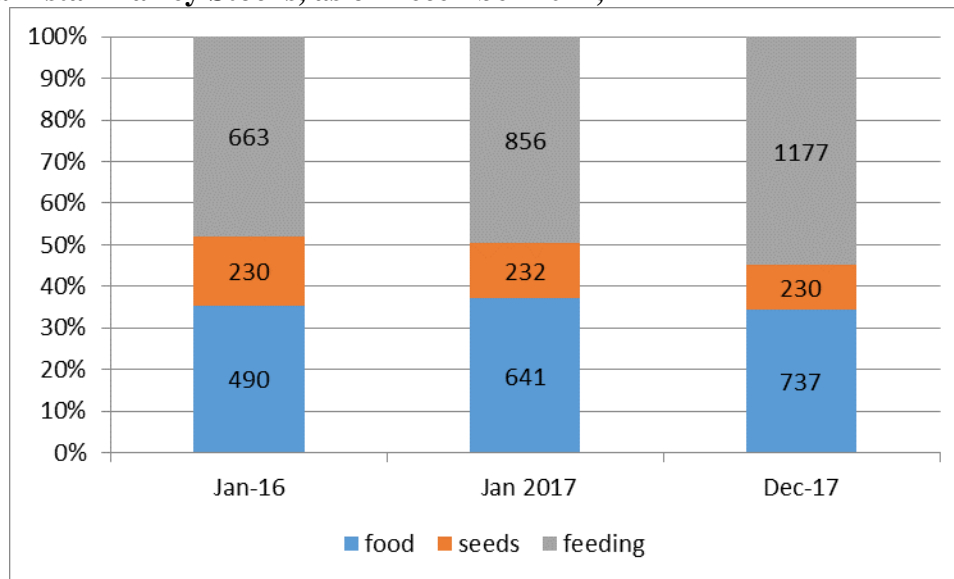
Chart 2. Kazakhstan Wheat Stocks as of December 2017, MMT



The statistical service for Kazakhstan reports barley stocks for food are 24 percent higher as of December 1, 2017, versus January 1, 2017. As with wheat above, barley stocks for feed increased more than 50 percent since January 1, 2017, due to active exports during the winter season, when farmers sell their commodity on EXW grain storage with rail connection (see Chart 3 below).

^{1 1} EXW-Ex Works conditions, [Incoterms](#)

Chart 3. Kazakhstan Barley Stocks, as of December 2017, MT



Flour market update

During calendar year 2017, production of wheat flour in Kazakhstan totaled 4.1MMT, an increase of three percent compared with the same period last season. Also, in the reporting months the production of groats increased by 22 percent, to 70,535 metric tons.

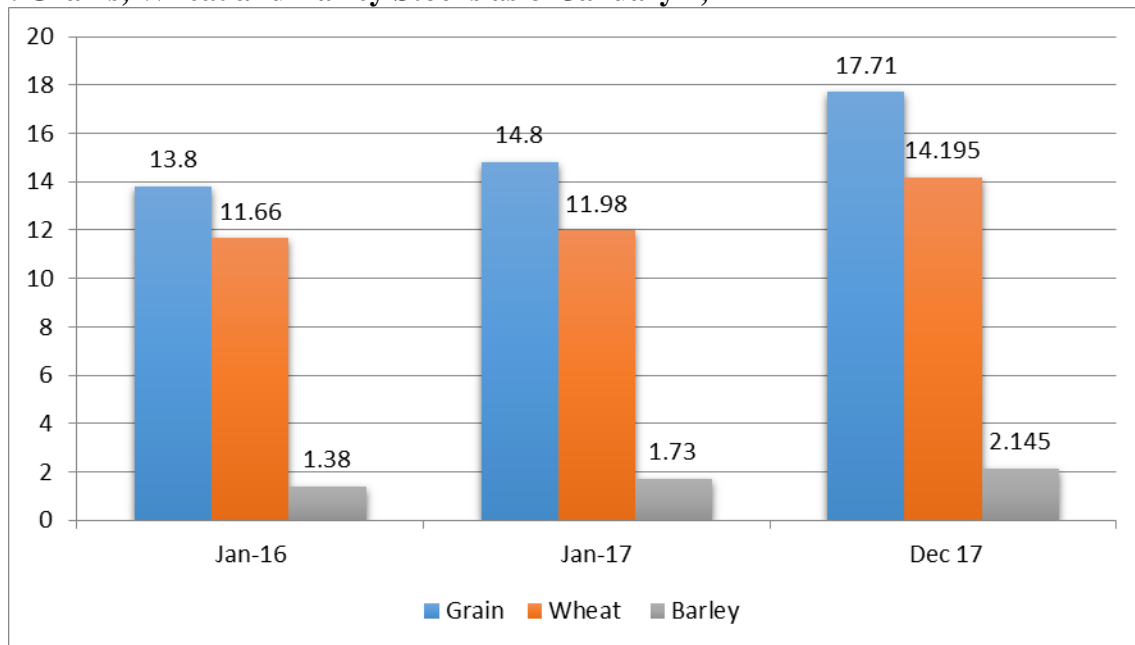
Kazakhstan has a joint venture arrangement to use Russian equipment for moving grain and flour, but Russia's recent record harvests have reduced the number of available grain hoppers and closed wagons. This deficit has limited shipments and caused many mills to work under capacity or temporarily to stop their operations. In previous seasons, mills were busy through late December; however, this season mills worked partial days and closed for weekends. Some mills claimed that they planned for 130-140 wagons shipments but only received 30-40 wagons.

At the same time, millers do not hide the fact that they are using Russian imported wheat. Until very recently, it was taboo for millers to use anything other than Kazakh wheat, and so they would not report the use of wheat from other countries. However, the procurement prices for the domestic market set by the Government-owned grain operator Food Contracting Corporation (FCC) were unattractive to flour millers, and they began to report their use of the cheaper Russian grain.

STOCKS

The Kazakh Statistical Service reports wheat stocks at 14.1 MMT as of December 1, 2017, 18 percent higher than in January 1, 2017; barley stocks are 24 percent higher at 2.145 MMT (please see Chart 4 below).

Chart 4. Grains, Wheat and Barley Stocks as of January 1, MMT



Source: Kazakhstan Statistics Service

TRADE

The newly appointed Minister of Agriculture of Kazakhstan, a position which also carries the title of Deputy Prime Minister, has established mobile groups in the regions bordering Russia to monitor undocumented, illegal Russian wheat imports. During December 28-29, 2017, Kostanay and North-Kazakhstan regions reported 15 such cases of illegal, undocumented shipments from Russia on 28 trucks, totaling 560 metric tons of wheat.

Russia's increased use of grain hoppers to service its large grains crops and the resulting deficit of such transport in Kazakhstan in October reduced grain exports and flour production and trade during October-December 2017.

Post forecasts that Kazakhstani wheat exports will remain flat in MY 2017/2018 at 7.5 MMT. The regional market developments that affected exports at the end of the previous marketing year continue into the current marketing year.

Kazakhstan continues its trade with EAEU countries, and EAEU statistics show the following trade numbers for January-November 2017 (please, see Table 2 below).

Table 2. Kazakhstan Trade with EAEU Countries, 2017

	January-June		January-November	
	Exports, MT	Imports, MT	Exports, MT	Imports, MT
Wheat				
KYRGYZSTAN	116,312	-	202,997	1,348
RUSSIA	77,436	13,345	124,452	28,845
BELARUS		10	-	-

Barley				
RUSSIA	9,685	1,301	12,735	7,214
Wheat Flour				
ARMENIA	4	-	89	-
KYRGYZSTAN	14,238	-	20,009	-
RUSSIA	10,844	655	17,884	2,405

Source: [Eurasian Economic Commission](#)

Uzbekistan continues to be the number one importer of Kazakh wheat, as it has been for the last four years. In MY 2016/2017 wheat exports to Uzbekistan made up nearly half of all exports. Afghanistan also imports Kazakh wheat directly and, together with Tajikistan, continues to be a stable importer of Kazakh wheat. Exports to China have grown, most notably over the last four years. Experts blame the deficit in grain hoppers for reduced exports to China, Afghanistan, and Azerbaijan at the end of 2017 (please see Table 3 below).

Table 3. Kazakhstan wheat export data, MY 2013/14-MY 2016/17

Kazakhstan Export Statistics								
Commodity: 1001, Wheat And Meslin								
Year Ending: September								
Partner Country	Unit	Quantity			% Share			% Change
		2015	2016	2017	2015	2016	2017	2017/2016
World	T	3144822	3661556	3663768	100.00	100.00	100.00	0.06
Uzbekistan	T	1210695	1531177	1689228	38.50	41.82	46.11	10.32
Tajikistan	T	843638	943171	1012367	26.83	25.76	27.63	7.34
China	T	117553	298138	262364	3.74	8.14	7.16	- 12.00
Afghanistan	T	38457	268165	252765	1.22	7.32	6.90	- 5.74
Italy	T	59880	91540	249843	1.90	2.50	6.82	172.93
Turkey	T	30209	84482	71961	0.96	2.31	1.96	- 14.82
Azerbaijan	T	148951	80772	49251	4.74	2.21	1.34	- 39.02
Sweden	T	34368	29409	36649	1.09	0.80	1.00	24.62
Tunisia	T	0	5210	18891	0.00	0.14	0.52	262.61
Finland	T	1540	0	8697	0.05	0.00	0.24	0.00
Iran	T	185831	277134	8361	5.91	7.57	0.23	- 96.98
Poland	T	11522	18115	1589	0.37	0.49	0.04	- 91.23
Germany	T	13010	0	752	0.41	0.00	0.02	0.00
Vietnam	T	0	0	720	0.00	0.00	0.02	0.00
Netherlands	T	0	9999	306	0.00	0.27	0.01	- 96.94
Georgia	T	5000	2085	22	0.16	0.06	0.00	- 98.94
Kyrgyzstan	T	441667	0	0	14.04	0.00	0.00	0.00
Latvia	T	2501	6000	0	0.08	0.16	0.00	- 100.00
Norway	T	0	5600	0	0.00	0.15	0.00	- 100.00
United Arab Emirates	T	0	1000	0	0.00	0.03	0.00	- 100.00
United Kingdom	T	0	4560	0	0.00	0.12	0.00	- 100.00

United States	T	0	5000	0	0.00	0.14	0.00	- 100.00
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Source: Global Trade Atlas

Iran continues to be the biggest importer of Kazakh barley, taking 90 percent of all exports in MY 2016/2017. Newcomers to barley exports from Kazakhstan in 2016 and 2017 were the United Kingdom and the United States (please see Table 4 below).

Table 4. Kazakhstan Barley Exports Data

Kazakhstan Export Statistics								
Commodity: 1003, Barley								
Year Ending: September								
Partner Country	Unit	Quantity			% Share			% Change 2017/2016
		2015	2016	2017	2015	2016	2017	
World	T	475911	775736	821124	100.00	100.00	100.00	5.85
Iran	T	405706	713156	752017	85.25	91.93	91.58	5.45
Uzbekistan	T	45711	24289	30026	9.60	3.13	3.66	23.62
United States	T	0	9500	23100	0.00	1.22	2.81	143.16
Afghanistan	T	9505	19597	12746	2.00	2.53	1.55	- 34.96
Tajikistan	T	7280	126	2246	1.53	0.02	0.27	1682.50
United Kingdom	T	0	0	990	0.00	0.00	0.12	0.00
Turkey	T	2001	2802	0	0.42	0.36	0.00	- 100.00
Turkmenistan	T	0	130	0	0.00	0.02	0.00	- 100.00
Germany	T	0	6136	0	0.00	0.79	0.00	- 100.00
Kyrgyzstan	T	5706	0	0	1.20	0.00	0.00	0.00

Source: Global Trade Atlas

PRICES

On August 1, 2017, the FCC announced the domestic market procurement prices for commercial stocks (including VAT) for specific gluten and protein content parameters of wheat and barley (see [October 2017 Kazakhstan Grain and Feed Report](#) for details). However, farmers argued against the quality parameters set for wheat on the domestic market. The Farmers Union of Kazakhstan negotiated with the FCC for changes, including the prioritization of small farmers' interests and moving the procurement process online to the www.minagro.kz portal (electronic system of electronic grain receipts). Therefore, while prices remained almost the same, quality parameters were reduced to 23% gluten and 12% protein content.

POLICY

In December 2017, a new Deputy Prime Minister/Minister of Agriculture was appointed in Kazakhstan. Minister Umirzak Shukeyev's background does not include agriculture, but he has been the governor of Kostanay, which is a major grain producing region, and he is an economist connected to powerful financial institutions. Usually such new appointments lead to new policies in agricultural sub-sectors, and the Prime Minister of Kazakhstan requested the new Minister of Agriculture to present his proposals on agricultural policies by March 1, 2018.

The FCC signed a Memorandum of Understanding with the Islamic Organization on Food Security on December 13, 2017, in Astana. This document includes implementation of joint projects on crops production and processing with no further details.

At the beginning of the Marketing Year, the FCC announced a limited procurement of 330,000 MT of wheat and barley for its exports contracts. However, the set requirements and prices did not meet farmers' expectations in terms of price and quality. Following negotiations to change the procurement requirements, in December 2017, the FCC received additional funds up to 60 billion tenge (\$184 million) from the Social Insurance Fund and announced plans to procure up to 2 MMT of grains during MY 2017/2018.

The Government of Kazakhstan has initiated discussions on subsidizing the cost of commodity transportation. Media reports show that Kazakhstan expects to have increased grain and flour exports to 9.1 million tons in 2017. In December 2017, consignors made plans to export 1.3 million tons of grain and flour (in grain equivalent), for which they would need 16.5 thousand railway cars. The National Railways has fixed the tariff at 9,000 tenge per car per day. To increase the competitiveness of its grain, starting January 1, Kazakhstan will subsidize domestic grain transportation and will allocate about 9.7 billion tenge (\$30.1 million) for this purpose. However, as of the publishing of this report, no official documents on this issue are available and it is unclear whether these plans will be formalized or implemented.

NOTE: The National Bank of Kazakhstan exchange rate as of January 31, 2018: 1 U.S. Dollar = 322.43 Tenge

PSD

Wheat Market Begin Year Kazakhstan	2016/2017		2017/2018		2018/2019	
	Sep 2016		Sep 2017		Sep 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12373	12437	11800	11500	0	11400
Beginning Stocks	2599	2599	3364	3974	0	3134
Production	14985	14985	14000	13500	0	13360
MY Imports	80	90	50	60	0	60
TY Imports	78	90	50	60	0	60
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	17664	17674	17414	17534	0	16554
MY Exports	7400	6800	7500	7500	0	7500
TY Exports	7250	6800	7500	7500	0	7500
Feed and Residual	2100	2100	2100	2100	0	2100
FSI Consumption	4800	4800	4800	4800	0	4800
Total Consumption	6900	6900	6900	6900	0	6900
Ending Stocks	3364	3974	3014	3134	0	2154
Total Distribution	17664	17674	17414	17534	0	16554
Yield	1.2111	1.2049	1.1864	1.1739	0	1.1719

(1000 HA) ,(1000 MT) ,(MT/HA)

Barley Market Begin Year Kazakhstan	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1893	1894	2050	2070	0	2000
Beginning Stocks	116	116	346	167	0	277

Production	3231	3241	2700	2700	0	2631
MY Imports	2	10	10	10	0	10
TY Imports	4	10	10	10	0	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3349	3367	3056	2877	0	2918
MY Exports	753	1000	700	600	0	700
TY Exports	823	1000	700	600	0	700
Feed and Residual	1950	1900	1900	1700	0	1700
FSI Consumption	300	300	300	300	0	300
Total Consumption	2250	2200	2200	2000	0	2000
Ending Stocks	346	167	156	277	0	218
Total Distribution	3349	3367	3056	2877	0	2918
Yield	1.7068	1.7112	1.3171	1.3043	0	1.3155
(1000 HA) ,(1000 MT) ,(MT/HA)						