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Kazakhstan - Republic of

Grain and Feed Update

Record Kazakh Wheat Production Boosts Exports and Stocks

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Report Highlights:
The Kazakh State Statistics Agency published official production statistics for 2011 which showed an increase in wheat production by over 130 percent from 2010 to 22.7 million tons. With huge supplies, exports of wheat and flour are also rising and are expected to reach a record. Despite growing exports, stocks of wheat are expected to remain large into the next marketing year.

Post:
Astana

Executive Summary:

Production

The Kazakh State Statistics Agency recently published official production data for the bumper harvest of 2011. Wheat production jumped to 22.7 MMT, up 13 million tons from 2010. Barley production as doubled from 2010. Total grain area in 2011 was 17.6 million hectares, including wheat at 13.7 million hectares. The 2011 wheat production of 22.7 million tons was a new record for Kazakhstan, surpassing the previous record of 22.2 million tons in 1979, when area was considerably higher. In fact, this year's record yield of 1.66 tons per hectare is 25 percent higher than the previous record yield of 1.32 tons per hectare in 1992.

	2011 Harvested Area 1000 ha	Production 1000 MT
Wheat	13,686	22,732
Corn	97	482
Barley	1515	2593
Oats	143	258
Rye	25	28
Millet	40	43
Mixed Grain	219	304
Rice	93	347
Oilseeds	1708	1142
Pulses	107	135

In addition to the Kazakh State Statistics Agency data, the Kazakh Ministry of Agriculture also published harvesting data throughout the harvesting campaign. The final report on November 05, 2011 is below. The production data is in bunker weight, and has a comparison with last year for each oblast.

Region	Planted area . 000 ha		Harvest area. 000 ha		Harvested				Harvested. 000 tons		Yield. 00/ha	
	2010	2011	2010	2011	2010				2010	2011	2010	2011
					000 ha	%	000 ha	%				
AKMOLA	4433.4	4275.9	4283.8	4275.9	4283.8	100.0	4275.9	100.0	2722.7	7284.9	6.4	17.0
AKTOBE	731.5	588.5	208.0	571.2	208.0	100.0	571.2	100.0	54.8	414.2	2.6	7.3
ALMATY	481.2	458.9	471.4	458.9	465.0	98.6	458.9	100.0	1076.2	1177.1	23.1	25.7
EAST-KAZ	490.2	520.2	473.0	517.2	473.0	100.0	517.2	100.0	589.4	619.4	12.5	12.0
ZHAMBYL	239.5	242.7	239.5	239.9	239.5	100.0	239.9	100.0	416.9	431.5	17.4	18.0
WEST-KAZ	533.2	394.4	180.4	361.8	180.4	100.0	361.8	100.0	68.7	370.7	3.8	10.2

KARAGANDA	746.6	693.7	655.6	659.9	655.6	100.0	659.9	100.0	330.5	733.7	5.0	11.1
KOSTANAI	4273.1	4296.3	4273.1	4296.3	4273.1	100.0	4296.3	100.0	3471.1	8681.3	8.1	20.2
KYZYLORDA	85.5	86.8	85.4	86.8	85.4	100.0	86.8	100.0	360.4	379.4	42.2	43.7
PAVLODAR	498.1	536.5	455.0	525.1	455.0	100.0	525.1	100.0	293.4	453.6	6.4	8.6
NORTH-KAZ	3900.5	3900.8	3900.5	3900.8	3900.5	100.0	3900.8	100.0	4100.2	8854.0	10.5	22.7
SOUTH-KAZ	212.8	213.0	212.8	213.0	209.3	98.4	213.0	100.0	363.2	337.5	17.4	15.8
total:	**16625.6**	**16207.7**	**15438.5**	**16106.8**	**15428.6**	**99.9**	**16106.8**	**100.0**	**13847.5**	**29737.3**	**9.0**	**18.5**
Was in Nov 05. 10		16625.6		15438.5			15428.6	99.9		13847.5		9.0
(+.-) to 2010		-417.9		668.3			678.2	0.1		15889.8		9.5

Procurement

In order to support grain prices and farmers' income this marketing year, in August 2011 the Government of Kazakhstan announced that it would purchase 5 million metric tons of wheat of the 2011 harvest at a price of 25,000 tenge per ton ($170). These purchases would take place through the State trading company, the Food Contracting Corporation (FCC). The purchase price of this wheat was significantly above the market price at the time, which was as low as 15,000-16,000 tenge ($102-109).

The FCC has subsequently announced that it would purchase an additional 3 million tons of grain from the 2011 harvest, taking the total domestic procurement volume to 8 million tons. This additional 3 million tons would be purchased at a significantly lower price of 16,500 tenge ($112), similar to the current market (farm gate) price. As of January 11, 2012, 4.6 million tons of the 8 million had already been procured. The FCC has stated that they are continually monitoring the price in the domestic market and could take additional steps in case of a downward price trend.

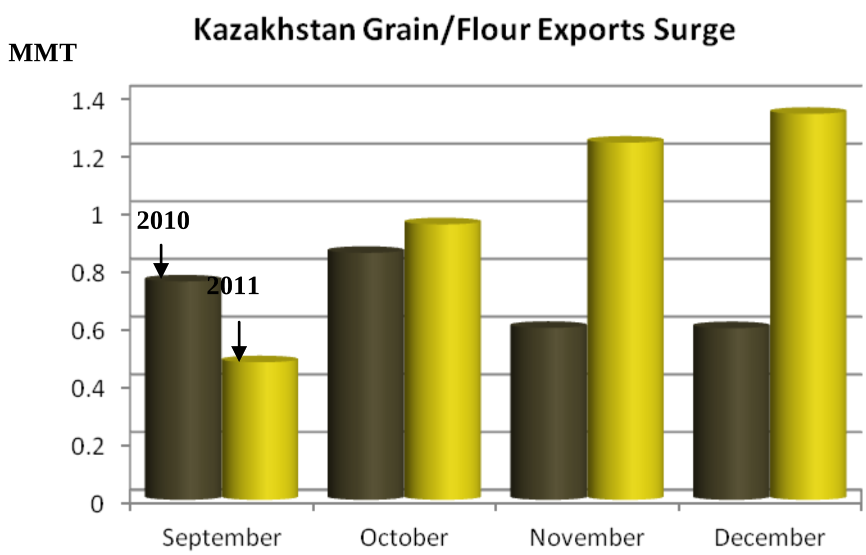
There have been some complaints from farmers regarding the procurement process. Many more farmers than typical are holding grain on-farm this year, including in polyethylene bags. However, the FCC requires all grain sold to them to be on EXW (Ex-warehouse) conditions. As a result, if elevators are full, the farmers are unable to sell to the FCC, despite having ample grain in on-farm storage.

Trade

With record production, the pace of Kazakh grain exports is quickening, especially compared to 2010. In October 2011, Kazakhstan exported 950,000 tons of grain and flour (on grain equivalent) compared to 850,000 in October 2010; and in November 1.2 million tons were exported compared to 600,000 tons in November 2010. Preliminary indications are December exports reached 1.3 million tons, compared to 600,000 tons the previous year. Kazakh wheat exports are forecast to reach a record 9.0 million tons in 2011/12, and barley exports to reach nearly 600,000 tons.

The bulk of exports of wheat continue to go to other Former Soviet Union countries, while most of the barley exports have gone to Iran. Kazakhstan is benefiting from reduced competition from Russian wheat (which was exported at a very rapid pace in the first half of the marketing year but now has slowed down considerably) both in export markets as well as for Black Sea port space. Despite higher grain exports, logistical problems are continuing to hamper larger increases in shipments. Traders have reported waiting for months for grain rail wagons due to a shortage in Kazakhstan. In addition, traders report that even when rail wagons became available, there have been problems with elevators, and for example a number were closed for 10 days for New Year holidays, leaving the wagons unused and traders anxious to get access to their grain. Reports indicate that the Government is discussing plans to purchase thousands of additional rail wagons.

The Kazakh Government announced a transportation subsidy of $40/metric ton for shipment to Black Sea and Baltic ports, however traders report that the amount allocated for this program was quickly used up and no additional subsidy is being offered. For barley, although there was strong trade with Iran, it has been reported that financing difficulties in light of recent sanctions by the U.S. and other countries has resulted in a slowdown of this trade.

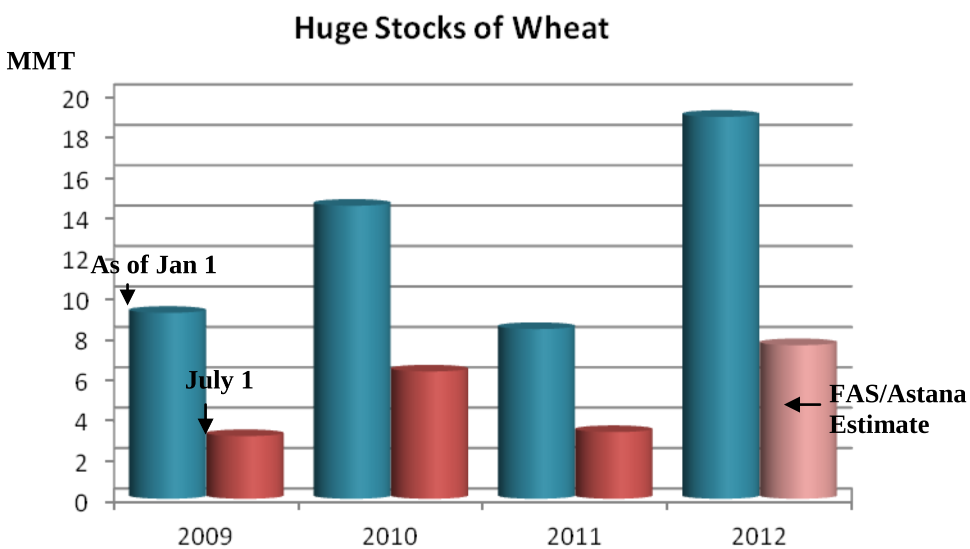


Stocks

With the bumper harvest, Kazakhstan currently has huge stockpiles of wheat, and according to the Kazakh State Statistics Agency, at January 1, 2012 stocks were almost 19 million tons, up 130 percent from the same time last year. It has also been reported that more farmers are keeping grain on-farm, including using polyethylene bags. In order to free up storage space in key Northern growing areas, the FCC announced they would transship another 0.5 million tons from elevators in these regions to other areas. It is expected that even with larger exports, Kazakhstan will have very large wheat stocks entering the 2012/13 marketing year.

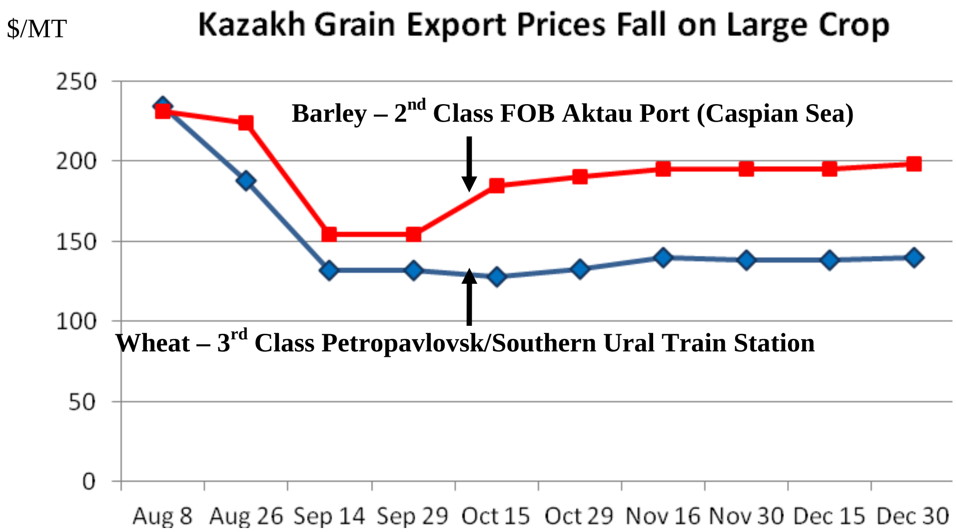
	Stocks for January 01, MT

	2009	2010	2011	2012
Wheat	9,164,457	14,495,296	8,368,395	18,930,272
Corn	29,539	94,352	55,397	54,313
Rice	108,053	164,588	196,125	145,534
Barley	1,224,903	1,438,029	542,921	1,161,943
Rye	21,075	41,004	32,825	20,205
Oat	55,519	120,731	62,005	152,909
Buckwheat	13,518	29,914	12,152	22,059
Millet	6,750	15,691	6,397	32,084
Mixed Grains	14,362	20,026	19,005	78,654
TOTAL GRAINS	10,664,810	16,452,218	9,334,094	20,693,197



Pricing

In light of the huge grain harvest, wheat prices fell dramatically by $86 in only one month, from as high as $218/MT in August to only $132/MT in September (prices at Petropavolvsk/Southern Ural train station). After this drop, however prices stabilized as a result of the large scale government procurement effort, as well as rising export demand. Barley prices also dropped dramatically but have shown even stronger recovery as demand from Iran has been strong (although as mentioned reports indicate this trade has slowed in recent weeks).



Barley Kazakhstan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,849	1,849	1,600	1,600	1,600	1,515
Beginning Stocks	282	407	464	564	351	111
Production	2,519	2,519	1,300	1,300	2,700	2,593
MY Imports	21	21	55	55	20	20
TY Imports	11	11	55	55	20	20
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2,822	2,947	1,819	1,919	3,071	2,724
MY Exports	358	358	233	233	250	550
TY Exports	354	354	200	223	250	550
Feed and Residual	1,700	1,700	900	1,250	1,900	1,500
FSI Consumption	300	325	335	325	325	325
Total Consumption	2,000	2,025	1,235	1,575	2,225	1,825
Ending Stocks	464	564	351	111	596	349
Total Distribution	2,822	2,947	1,819	1,919	3,071	2,724
1000 HA, 1000 MT, MT/HA						

Wheat Kazakhstan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	14,751	14,751	14,500	14,500	13,800	13,686
Beginning Stocks	3,357	3,223	4,795	4,911	2,283	2,899
Production	17,052	17,052	9,700	9,700	22,500	22,732
MY Imports	57	57	7	7	25	25
TY Imports	57	57	7	7	25	25
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	20,466	20,332	14,502	14,618	24,808	25,656
MY Exports	7,871	7,871	5,519	5,519	8,500	9,000
TY Exports	7,871	7,871	5,519	5,519	8,500	9,000
Feed and Residual	2,900	2,700	2,000	1,900	5,000	4,000
FSI Consumption	4,900	4,850	4,700	4,300	4,900	5,000
Total Consumption	7,800	7,550	6,700	6,200	9,900	9,000
Ending Stocks	4,795	4,911	2,283	2,899	6,408	7,656
Total Distribution	20,466	20,332	14,502	14,618	24,808	25,656