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# GAIN Report

Global Agricultural Information Network

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## **Kazakhstan - Republic of**

### **Grain and Feed Update**

#### **Kazakh Grain Production Prospects Worsen**

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**Report Highlights:**

As a result of very dry weather conditions in some key growing regions, Kazakhstan's 2012 grain production is expected to drop sharply to just over half of last year's record level. However, despite sharply lower production, very large carry-in stocks will likely allow continued large export volumes in 2012/13.

**Post:**

Astana

**Production:**

Kazakh grain production is expected to fall sharply in 2012 as a result of dry weather. For wheat, production is expected to fall to only 12 million metric tons compared to the record of nearly 23 million metric tons in

2011. Although grain area largely was steady from last year, wheat area fell for the 3<sup>rd</sup> year in a row.

### Area

According to regional Kazakh agricultural departments, by the end of the planting campaign (June 12, 2012) 21.5 million hectares were sown to crops in Kazakhstan. This number accounts for 286,000 more than in 2011 and fallow land in Kazakhstan reached 3.2 million hectares, 140,000 less than in 2011.

While grain area remained steady at 16.3 million hectares, there were some significant shifts between crops. Wheat area fell again in 2012 by 2 percent to 15.5 million hectares, while total barley area increased sharply by 140,000 hectares to 1.8 million hectares with the most dramatic increase in Kazakhstan's northern regions.

Oilseeds area increased only slightly, however again there has been a major shift in area between types of oilseeds. Sunflower area saw the largest decrease, with area down 15 percent (140,000 hectares) with the most significant decline in production occurring in the traditional production regions of East Kazakhstan and Pavlodar. According to the Kazakh Ministry of Agriculture, this precipitous drop can be best explained by a need for crop rotation and a desire to avoid monoculture in sunflower seed. It is reported that only the Kostanay region retained the same level of sunflower production as in 2011. Higher area to flax and rapeseed, however, is offsetting the smaller sunflower area. Flax area is up 19 percent to 388,000 hectares and rapeseed area is up 47 percent to 230,000 hectares. The area of these crops are almost entirely in the northern wheat growing regions (Kostanay, North Kazakhstan, Akmola) and have also attributed to the lower wheat area. In Kostanay, rapeseed area has expanded from almost nothing a few years ago to 34,500 hectares in 2012. Area dedicated to grasses in these Northern regions has also increased significantly in 2012.

Experts believe that the changes in Kazakhstan's area planted composition are caused by three major factors. First, the huge wheat harvest in 2011 resulted in lower and unstable market prices, especially compared to oilseeds. Second, in larger agricultural enterprises, farmers are beginning to implement crop rotations and not plan monoculture wheat. Third, the government has had a strong support program for the livestock sector, which has caused an increase in demand for feedstuffs. As mentioned in the previous Grain and Feed Annual report, the Ministry of Agriculture is trying to encourage the diversification of crop area away from wheat in Kazakhstan, especially as in most places wheat is planted monoculture. The long term strategy of the government is by 2020 to have wheat comprise just 52% of total area sown to all crops, down from the current level of 65% percent (and as high as 80% in some northern provinces). The reason for encouraging this decline in area is to improve agronomic practices of crop rotation, and provide more feed grains and oilseeds to the expanding livestock and poultry industries.

### Planted Area According to Regional Agricultural Departments (as of June 12<sup>th</sup> in 1,000 hectares):

Regions	All crops total	Including									
		Grains	Including								
			Wheat	Barley	Oat	Mill et	Buckwheat	Cor n	Ric e	Pulse s	Othe r grain s
AKMOLA	4900.4	4291.3	3916.4	321.6	26.3	1.9	1.5			22.0	1.6

AKTOBE	729.0	578.8	455.3	110.5	1.9	5.9				2.1	3.1
ALMATY	927.5	467.6	204.7	163.2	2.5	0.2	1.0	67.6	14.2	2.0	12.3
EAST-KAZ	1209.4	540.2	358.2	98.0	20.5	3.8	29.9	0.2		6.7	22.9
ZHAMBYL	536.6	242.8	120.2	112.3		0.1		10.2		0.1	
WEST-KAZ	586.4	400.7	277.6	102.0	0.7	4.8	0.4			0.2	15.0
KARAGANDA	982.6	675.6	559.4	101.1	5.3	0.2	0.2			9.4	
KYZYLORDA	158.9	83.9	6.1	1.0		0.8		0.7	75.3		
KOSTANAI	5129.7	4339.0	3987.6	224.7	47.0	14.0	8.1			57.6	
PAVLODAR	1063.6	550.6	399.2	68.4	25.7	12.8	33.1			3.1	8.3
NORTH-KAZ	4509.2	3835.0	3111.3	470.8	50.3	0.7	3.5			36.8	161.6
SOUTH-KAZ	752.7	195.2	132.8	32.0		0.6		24.1	3.2	2.5	
<b>TOTAL</b>	<b>21485.9</b>	<b>16200.6</b>	<b>13528.8</b>	<b>1805.5</b>	<b>180.2</b>	<b>45.8</b>	<b>77.7</b>	<b>102.7</b>	<b>92.6</b>	<b>142.5</b>	<b>224.8</b>
Was in 2011	21199.7	16199.1	13822.7					99.6	93.5		
+/- to 2011	286.2	1.5	-293.9					3.1	-0.9		

Regions	Oilseeds	Including						Cotton	Sugarbeets	Tobacco	Potato
		Sunflower	Soybeans	Safflower	Rapeseeds	Flax	Other				
AKMOLA	190.5	50.5			30.5	79.2	30.3				18.4
AKTOBE	40.9	40.9									8.3
ALMATY	138.8	34.7	75.4	26.7	2.0				13.7	0.7	36.3
EAST-KAZ	381.3	363.9	4.7	5.1	7.6						24.4
ZHAMBYL	82.4	3.0	1.4	78.0					5.3		7.3
WEST-KAZ	63.6	38.1		6.3	0.1	1.1	18.0				4.0
KARAGANDA	17.0		0.5	7.5		8.6	0.4				12.8
KYZYLORDA	2.0	0.2		1.8							8.4
KOSTANAI	221.6	45.5		14.2	34.5	120.8	6.7				10.9
PAVLODAR	207.0	203.8			1.7	1.5					15.0
NORTH-KAZ	371.0	29.4	0.02		154.3	177.0	10.3				27.5
SOUTH-KAZ	117.7	5.0	0.003	112.4			0.3	147.3	0.2	0.5	12.8
<b>TOTAL</b>	<b>1833.8</b>	<b>815.0</b>	<b>82.0</b>	<b>251.9</b>	<b>230.7</b>	<b>388.2</b>	<b>66.0</b>	<b>147.3</b>	<b>19.2</b>	<b>1.2</b>	<b>186.1</b>
Was in 2011	1817.3	955.9	70.7	251.8	156.7	326.1	56.1	160.6	21.0	1.2	184.2
+/- to 2011	16.5	-140.9	11.3	0.1	74.0	62.1	9.9	-13.3	-1.8	0	1.9

## Yield

Very dry weather, especially in the western part of Kazakhstan is expected to strongly impact yields in 2012. Kostanai, Karaganda, West-Kazakhstan and Aktope regions are the most affected by this dryness and heat. The Governor of Kostanay in late July reported that nearly a quarter of the crops in that region are in bad condition (around 1 million hectares). He also mentioned that the situation continues to worsen as rain continues to be absent. He recommended that the Minister of Agriculture even announce an emergency situation. The situation, however, in the other key grain growing areas of Akmola and North Kazakhstan are not as negative.

The Kazakh Ministry of Agriculture has released a forecast of production of 14 million tons of grain (compared to nearly 27 million tons last year) and an average yield of 0.87 tons per hectare, as well as the following regional estimates:

- Northern region (Akmola, Kostanai, Pavlodar, North-Kazakhstan oblasts): 11.4 million tons with an average yield 0.87 tons per hectare;
- Eastern, central and western regions (Aktobe, West-Kazakhstan, Karaganda, East-Kazakhstan oblasts): 1.4 million tons with an average yield of 0.63 tons per hectare; and
- Southern region: 1.2 million tons with an average yield of 1.32 tons per hectare.

Ministry officials state that while this year's harvest is expected to be much worse than last year it is still expected to be higher than in 2010 (when grain production was 12 million tons and wheat production was less than 10 million). Only six percent of crops currently are considered to be in bad condition (a similar estimate to last year). As of mid-July, the Ministry assessed the quality of plants to be the following: 5.846 million hectares of grain (or 36.5 percent) is in good condition; 8.597 million hectares (or 53.7 percent) is in satisfactory condition; and 1.503 million hectares (or 9.4 percent) is in bad condition. Only 0.4 percent of the crop is estimated to have already been lost. However, conditions in many Western regions have deteriorated since these figures were released.

Due to the drought conditions in parts of Kazakhstan, the Executive Secretary of the Kazakh Ministry of Agriculture stated that the Government is preparing a number of measures to support effected regions. Such measures include creating seeds stock reserve, possible loans extension, and separate special support to make feedstuffs less expensive.

### Harvesting

Although the bulk of the grain crop will not be harvested for a couple of months, as of July 13, 2012, harvesting began of winter grain in western and southern parts of Kazakhstan, where the first 122,400 thousand hectares of grain were harvested with a yield of 0.98 tons per hectare (including in Almaty region at 1.56 tons/hectare, Western Kazakhstan at 0.11 tons/hectare, Zhambyl at 0.61 tons/hectare, Kyzylorda at 0.36 tons/hectare, and Southern Kazakhstan at 0.86 tons/hectare).

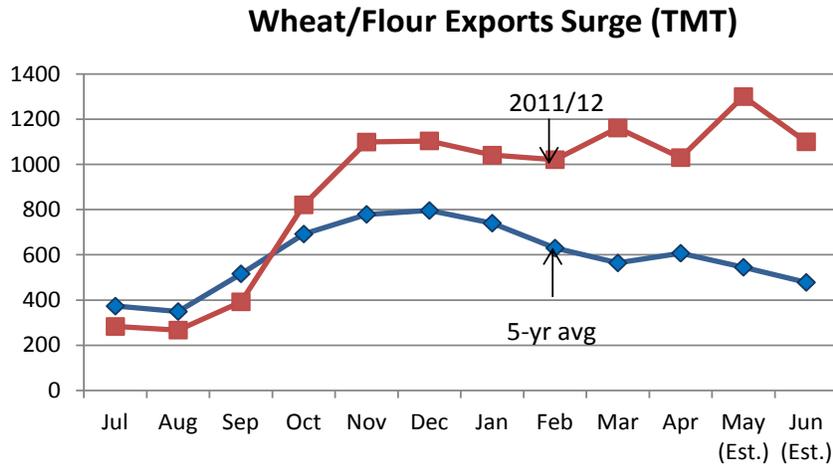
### **Trade:**

Despite lower (and below-average) grain production in 2012, very large carryin stocks are expected to allow for a continuation of large scale wheat and flour exports in 2012/13. In fact, trade year (July/June) and marketing year (Sept/Aug) wheat exports are forecast at 7.5 million tons, which is near the 5-year average. In addition to large stocks, smaller export volumes and less competition from Russia due to a worse crop there should also create strong demand for Kazakh grain.

According to the Statistics Agency and the National Railways, between July 1, 2011 and June 30, 2012, Kazakhstan exported 12.1 million tons of grain and flour in grain equivalent, which was 2.2 times greater than in 2010/11 (8.4 million tons more of grain and 2.6 million more of flour). Officials believe one factor behind this export growth was Kazakhstan's transport subsidies which subsidies a significant amount of exports to Russian and Baltic Ports as well as to China. However, the Ministry reported recently that due to higher global grain prices and strong demand for Kazakh wheat, they are considering ending transport subsidies as of August 1, 2012.

Kazakh wheat and flour exports primarily have been shipped to other Former Soviet Union countries

such as Azerbaijan and other Central Asian countries, although shipments to markets such as Turkey and Egypt have also climbed. Approximately 160,000 tons of grain was shipped to China in 2011/12 compared to just 31,000 the year before.



**Stocks:**

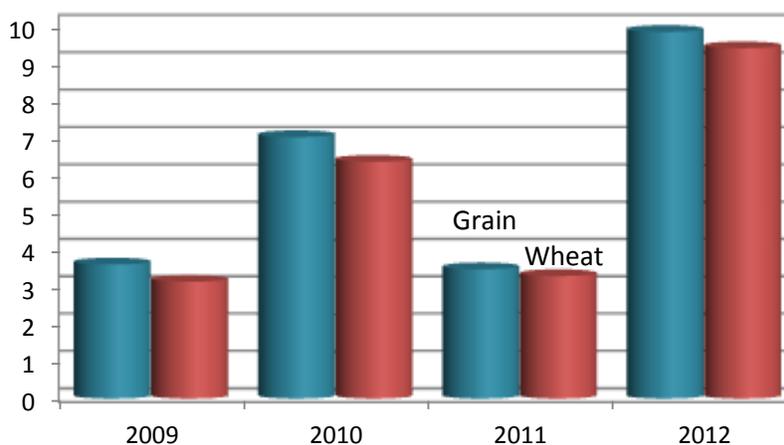
Due to the bumper crop of 2011, Kazakhstan still has very large stocks of grain. According to the State Statistical Service, Kazakh grain stocks as of July 1, 2012 reached 9.8 million tons, 9.4 million of which was wheat, nearly triple last year’s level. Although still relatively small, oilseeds stocks were also up significantly from last year at 133,000 metric tons, with sunflower and flax being the largest component, followed by rapeseeds and soybeans.

The Ministry of Agriculture estimates that the elevators of the main grain producing regions in Kazakhstan are full at 34 to 63 percent capacity. Between September 2011 and June 2012, 3.4 million tons of grain was moved from Kazakstan’s northern regions to other areas in order to free up grain storage for the new harvest, and this movement program is continuing.

The Kazakh Government stated that there are 221 licensed grain storage facilities with a total capacity of 13.9 million tons. Additionally, they estimate that there is on-farm storage of 9 million tons. Despite this large capacity, a significant portion of grain storage facilities were constructed 50 years ago or more. In order to help renovate these facilities, the Government Commission on Modernization has now decided to update 1.5 million tons of storage by extending on to existing facilities and building new ones. According to this mandate, the Food Contracting Corporation will extend the capacity of six storage facilities in southern and northern Kazakhstan, as well as in the Akmola, Mangistau and Aktobe regions. A remaining 800,000 tons of storage will be funded by private companies through KazAgroFinance.

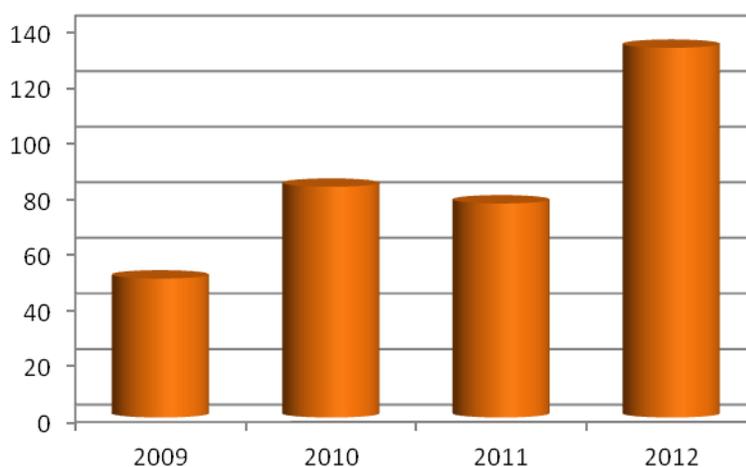
### Very Large Stocks of Grain/Wheat

(As of July 1, Million Metric Tons)



### Oilseed Stocks Also Rise

(As of July 1, Thousand Metric Tons)



**Prices:**

Kazakhstan wheat prices were largely stable from April thru the end of June at between \$170-\$175 per ton (3<sup>rd</sup> Class wheat, 23-24% gluten at Russian border). However, in July prices started increasing as a result of the dryness and hot weather impacting the crops and by the end of July the price had risen by \$10 per ton to \$185.

Wheat Kazakhstan	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	14,262	14,262	13,849	13,849	13,500	13,500
Beginning Stocks	4,300	4,300	2,883	2,883	5,625	6,625
Production	9,638	9,638	22,732	22,732	13,000	12,000
MY Imports	7	7	10	10	10	10
TY Imports	7	7	25	25	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	13,945	13,945	25,625	25,625	18,635	18,635
MY Exports	4,862	4,862	11,000	11,000	7,000	7,500
TY Exports	5,519	5,519	10,500	10,500	7,000	7,500
Feed and Residual	1,900	1,900	4,000	3,000	2,500	2,500
FSI Consumption	4,300	4,300	5,000	5,000	5,000	5,000
Total Consumption	6,200	6,200	9,000	8,000	7,500	7,500
Ending Stocks	2,883	2,883	5,625	6,625	4,135	3,635
Total Distribution	13,945	13,945	25,625	25,625	18,635	18,635
1000 HA, 1000 MT, MT/HA						