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GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 7/12/2018

GAIN Report Number: KZ-07

Kazakhstan - Republic of

Grain and Feed Update

Kazakhstan Grain and Feed Update Report

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Report Highlights:

FAS/Astana forecasts Kazakhstani wheat production in MY 2018/2019 at 14 million metric tons (MMT), 0.8 MMT lower than in MY 2017/2018, as wheat area sown falls. Although new trade routes have affected regional export patterns, Kazakhstani wheat exports in MY 2018/2019 are forecast 0.5 MMT less than the estimate for MY 2017/2018 due to falling production. FAS/Astana forecasts Kazakhstani barley production in MY 2018/2019 at 3.5 MMT, slightly higher than in MY 2017/2018 because of increasing sown area. The Minister of Agriculture has announced several major policy developments to improve seed quality and to transform financial support mechanisms.

Post:

Astana

PRODUCTION

FAS/Astana forecasts Kazakhstani wheat production in marketing year (MY) 2018/2019 at 14 MMT, 0.8 MMT lower than estimated for MY 2017/2018. This slight drop in the forecast is because wheat area sown continues to decline, reducing harvested area and production. This year's drop in wheat area sown comes not only from the ongoing government policy encouraging crop diversification, but also from unusually cold spring weather.

FAS/Astana forecasts Kazakhstani barley production in MY 2018/2019 at 3.5 MMT, slightly more than barley production in MY 2017/2018. This slight increase is because of the cold, wet spring, which led many farmers to delay wheat planting so late they had to switch to planting barley.

Early June weather was mostly cold and windy. According to the national weather service, Kazhydromet, most of Kazakhstan suffered from heavy rains, thunderstorms, hail, and north-west winds with gusts up to 28 meters per second. Across the entire north and west of the country, nighttime temperatures ranged from -2 to 10 degrees Celsius (28-50 degrees Fahrenheit), and up to 10-20 degrees Celsius (50-68 degrees Fahrenheit) in the daytime. The east of Kazakhstan was 3-10 degrees above freezing (37-50 degrees Fahrenheit) at night and 12-20 degrees (54-68 degrees Fahrenheit) in the daytime. In the south and south-east, temperatures at night ranged 7-15 degrees Celsius (45-59 degrees Fahrenheit) and 17-25 degrees (45-77 degrees Fahrenheit) in the daytime. Meteorologists have reported additional spells of cool weather in Kazakhstan on June 11-12 and at the end of June.

Because of the cold, seeds planted on May 15-16 in North Kazakhstan region showed up after 12 days instead of 8-9 days. Some grain producing areas predict a delay up to two weeks for future harvesting, which will hurt yields if the weather again becomes unfavorable. Further, those farmers who waited to plant wheat rushed to plant single-year grasses or barley, instead.

Local experts hesitate to estimate production based on the weather at planting. Farmers believe that grain crops easily withstand cold spring weather because yields depend on weather conditions during the vegetation period. Experts recall 1972, when wheat developed well in a cold spring and summer but took longer to mature, which delayed the harvest into October, when cold fall weather damaged the grain. This resulted in shallow grain with low gluten content, feed-grain quality. A similar cold spring in 1979 was followed by summer drought. Wheat that year matured fast with low yield, but the quality was very good. Cold soil can also contribute to diseases such as root rot, although farmers believe that could be fixed by seeds treatment or chemical treatments of seedlings. Therefore, while farmers hope for good outcomes in the fall, FAS estimates lower production in 2018/19.

This spring, the Agrarian Credit Corporation JSC (ACC) provided 60 billion Kazakh tenge in financial support from the government budget to agricultural producers. Over 1900 applications for 60 billion tenge worth of loans were approved and paid out to farmers through ACC affiliates, credit partnerships, microfinance organizations, and second-tier banks. The loans are to mature in December 2018; their interest rate is up to 6% per annum for the borrowers.

The Ministry of Agriculture reported on June 16, 2018, that 14.2 million hectares of spring grain crops and 2.8 million hectares of oilseeds crops had been sown. See Tables 1 and 2 below.

Table 1: Kazakhstan Sowing Progress for Spring Grain Crops, 2018, Thousand Hectares

Region	Estimated		Actually planted		% to estimate	
	2017	2018	2017	2018	2017	2018
AKMOLA	4,338.3	4,311.0	4,338.3	4,311	100.0	100.0
AKTOBE	335.6	337.7	339.6	435.3	101.2	128.9
ALMATY	242.5	247.2	242.5	247.1	100.0	100.0
EAST KAZ	566.7	589.7	569.8	557.5	100.5	94.5
ZHAMBYL	141.3	154.4	141.9	160.8	100.5	104.1
WEST KAZ	180.8	188.0	173.4	207.4	95.9	110.3
KARAGANDA	785.5	824.2	794.4	835.6	101.1	101.4
KOSTANAY	4,070.0	3,979.6	4,070.0	3,979.6	100.0	100.0
KYZYLORDA	2.6	3.2	2.5	3.3	96.2	103.1
PAVLODAR	704.0	761.6	703.8	752.3	100.0	98.8
NORTH KAZ	2,963.1	2,692.3	2,963.1	2,692.3	100.0	100.0
SOUTH KAZ	36.7	42.0	46.1	54.8	125.6	130.5
TOTAL	14,367.0	14,130.9	14,385.4	14,237.0	100.1	100.8

Source: [Kazakhstani Ministry of Agriculture sowing report as of June 16, 2018](#)

Table 2: Kazakhstan Sowing Progress for Oilseeds, 2018, Thousand Hectares

Region	Estimated		Actually planted		% to estimate	
	2017	2018	2017	2018	2017	2018
AKMOLA	241.5	258.3	257.2	258.3	106.5	100.0
AKTOBE	41.0	44.0	41	50.0	100.0	114.0
ALMATY	164.6	168.8	164.6	168.8	100.0	100.0
EAST KAZ	382.7	412.9	400.9	434.9	104.8	105.3
ZHAMBYL	87.7	95.3	87.7	93.9	100.0	98.6
WEST KAZ	52.0	61.0	63.0	52.6	121.2	86.2
KARAGANDA	15.1	18.0	15.1	15.3	100.0	85.0
KOSTANAY	323.7	344.3	323.7	369.6	100.0	107.0
KYZYLORDA	7.4	10.7	6.7	10.3	90.5	96.3
PAVLODAR	204.7	210.1	212.5	208.4	104.0	99.2
NORTH KAZ	712.2	1,000.0	712.2	1,000.0	100.0	100.0
SOUTH KAZ	82.1	86.1	96.0	108.8	116.9	126.4
TOTAL	2,314.7	2,709.5	2,380.6	2,770.9	102.8	102.3

Source: [Kazakhstani Ministry of Agriculture sowing report as of June 16, 2018](#)

CONSUMPTION

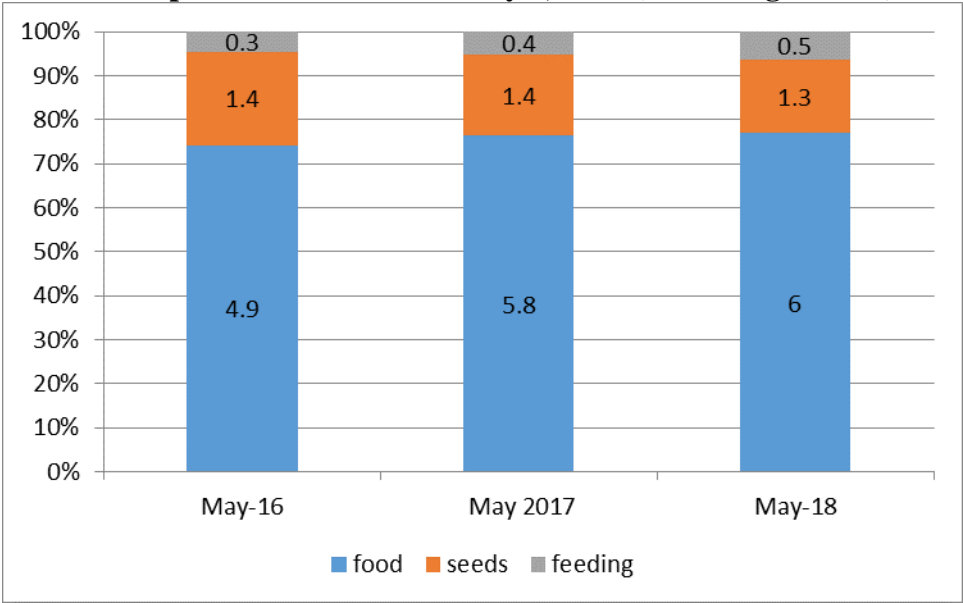
Wheat:

Wheat consumption in Kazakhstan remains flat for now; however, media in May 2018 reported on investment in a facility to produce bio-plastics from wheat. The report stated that the Chinese company Cathay Industrial Biotech, Ltd. [signed an agreement with Kazakhstan](#) to build a grain processing facility worth 2.5 billion dollars. The technology includes grain processing to produce innovative polyamide materials, to be further used for plastic, artificial fabric and polymer production. The project capacity is estimated to process 2.5 million tons of Kazakhstani grain. This project was just announced, and Post will follow its implementation and reflect on its effect on consumption in the future.

Food, seed, and industrial (FSI) consumption for wheat is expected to remain unchanged, at 4.8 MMT in MY 2018/2019. Although flour consumption is anticipated to grow modestly along with population growth, seed use is forecast to fall as planted area continues to shift slowly away from wheat.

Although Kazakhstan is focusing on expanding its herds, mostly cattle and sheep, the livestock population has not yet grown enough to warrant increased feed use. As of May 1, 2018, nearly 77 percent of wheat is used for food consumption, 17 percent for seeds and 6 percent for feed. A year ago, wheat consumption was nearly identical, showing 76 percent for food, 18 percent for seeds, and 5 percent for feed. Please, see Chart 1 below.

Chart 1: Wheat Consumption Structure as of May 1, 2018 (Percentage/MMT)



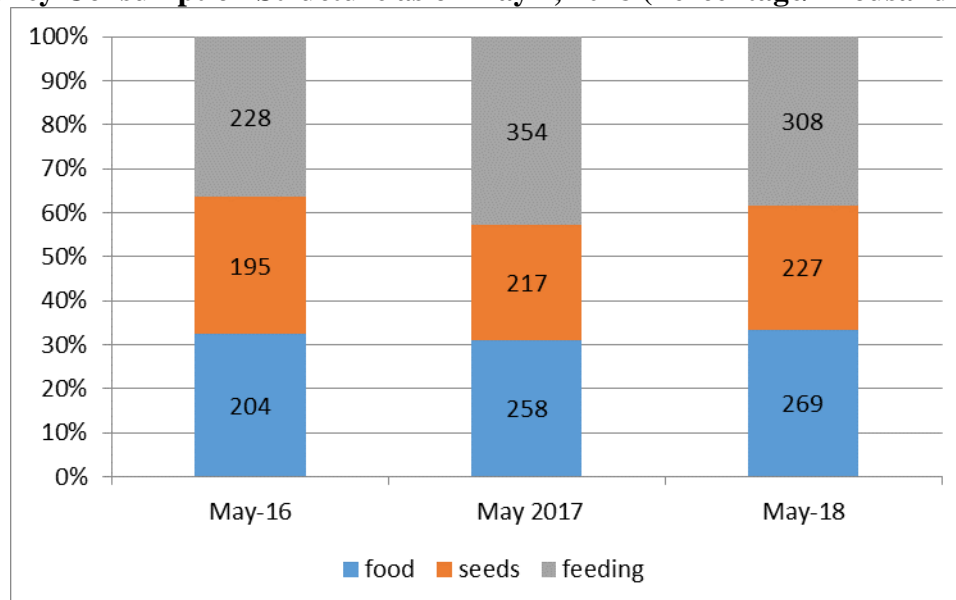
Source: Kazakhstan Statistical Service

Barley:

In MY 2018/2019, feed use of barley is forecast at 1.9 MMT, based on continued stable demand from the domestic livestock industry in Kazakhstan.

The structure of Kazakhstani barley consumption as of May 1, 2018, is reported at 33 percent for food, 28 percent for seed and 38 percent for feed. A year ago, as of May 1, 2017, food consumption showed 4 percent less, seeds consumption was 5 percent less, and feeding was 13 percent more. Please, see Chart 2 below.

Chart 2: Barley Consumption Structure as of May 1, 2018 (Percentage/Thousand MT)



Source: Kazakhstan Statistical Service

Flour Mill Industry Update

The milling industry continues to lobby the Kazakhstan Ministry of Agriculture to help promote wheat flour trade among Central Asian countries. Thus, a joint inter-governmental bilateral commission between Kazakhstan and Uzbekistan agreed to set lower railway tariffs to transport Kazakh wheat and flour through Uzbekistan between Keles and Galaba railway stations at 0.8 rate (or 20 percent discount), which makes Kazakh flour more competitive. At the same time, Kazakhstan Temir Zholy offers 20 percent discounts for Kazakh wheat and flour exports destined for Afghanistan on the new line through Turkmenistan.

In addition, Afghanistan cut its import duty on Kazakh wheat and flour to 5 percent in April 2018. Moreover, the wheat import duty was further slashed to 2.5 percent for Afghan millers processing Kazakh wheat into flour.

STOCKS

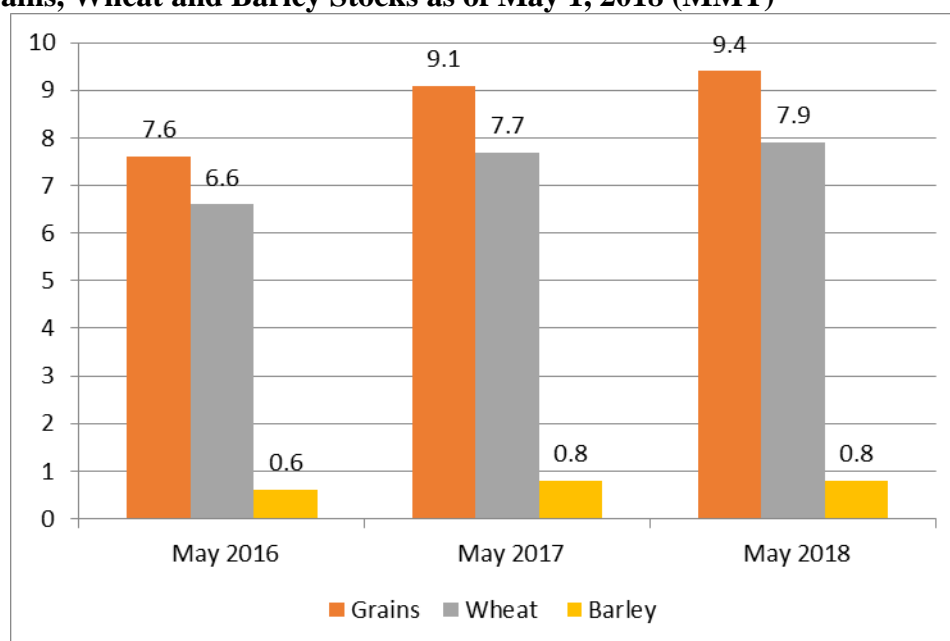
Wheat:

By May, the peak time for exports (November to February) has passed, so stocks should be at their lowest. The Kazakhstan Statistical Agency reported on May 1, 2018, that total grain stocks reached 9.4 MMT, 3 percent more than in 2017. Wheat stocks totaled 7.9 MMT, or 2 percent higher than wheat stocks on May 1, 2017. Stocks continue to increase (see Chart 3), which traders attribute to decreasing wheat quality. While some traders may be waiting for a renewed price increase, certain stocks remain because they simply cannot meet basic standards.

Barley:

The Kazakhstan Statistical Agency reported barley stocks at 0.8 MMT as of May 1, 2018, flat from 2017. Barley stocks have remained nearly flat the last three years. See Chart 3 below.

Chart 3: Grains, Wheat and Barley Stocks as of May 1, 2018 (MMT)



Source: Kazakhstan Statistics Service

TRADE

MY 2018/2019 Kazakhstani wheat exports are forecast at 8.0 MMT, 0.5 MMT less than in MY 2017/2018, due to continuing difficulties meeting export contract quality requirements. Both quality and quantity in this year's crop could suffer from the cold spring weather.

From January to March 2018, Kazakhstan exported 1.5 million tons of wheat. These exports mainly went to Central Asian countries (65 percent), Turkey (9 percent), and China (8 percent). [As previously reported](#), an improved trade route through Baku and Tblisi to Kars opened in October 2017. Because of competitive prices and these new delivery channels, total wheat exports to Azerbaijan and Turkey have undergone impressive growth in the current Market Year. Additionally, thanks to a trade mission of durum producers to Italy in the summer of 2017, exports of durum wheat

to Italy have increased sharply. Please see Table 4 below.

Table 4: Kazakhstan Wheat Exports, January-March 2018, MT

Kazakhstan Export Statistics								
Commodity: 1001, Wheat And Meslin								
Year To Date: January - March								
Partner Country	Unit	Quantity			% Share			% Change
		2016	2017	2018	2016	2017	2018	2018/2017
World	T	990,512	777,194	1,551,826	100.00	100.00	100.00	99.67
Uzbekistan	T	376,830	330,948	678,353	38.04	42.58	43.71	104.97
Tajikistan	T	205,634	196,463	201,990	20.76	25.28	13.02	2.81
Afghanistan	T	73,759	52,658	140,411	7.45	6.78	9.05	166.65
Turkey	T	7,512	9,218	134,537	0.76	1.19	8.67	1359.47
Italy	T	30,001	46,073	123,168	3.03	5.93	7.94	167.33
China	T	99,670	97,771	120,074	10.06	12.58	7.74	22.81
Azerbaijan	T	15,533	6,000	50,444	1.57	0.77	3.25	740.73
Iran	T	153,476	8,361	37,889	15.49	1.08	2.44	353.16
Tunisia	T	-	9,999	28,770	0.00	1.29	1.85	187.73
Sweden	T	7,996	15,200	16,481	0.81	1.96	1.06	8.43
Spain	T	-	-	4,599	0.00	0.00	0.30	0.00
Vietnam	T	-	720	3,915	0.00	0.09	0.25	443.75
Georgia	T	-	-	3,661	0.00	0.00	0.24	0.00
Poland	T	6,303	-	3,046	0.64	0.00	0.20	0.00
Netherlands	T	9,999	306	1,954	1.01	0.04	0.13	539.22
Latvia	T	-	-	1,593	0.00	0.00	0.10	0.00
Turkmenistan	T	-	-	700	0.00	0.00	0.05	0.00
Germany	T	-	294	241	0.00	0.04	0.02	- 18.03
Finland	T	-	3,185	-	0.00	0.41	0.00	- 100.00
Norway	T	2,800	-	-	0.28	0.00	0.00	0.00
United Arab Emirates	T	1,000	-	-	0.10	0.00	0.00	0.00

Source of Data: Customs Control Committee of the Ministry of Finance

From January to March 2018, Kazakhstan exported 529,254 MT of barley, with 96 percent [destined for Iran](#). Industry sources indicate the increases are due to the resolution of transportation problems from the end of 2017. Feed-quality barley that had been waiting in stocks shipped out in the first quarter of 2018. Please, see Table 5 below.

Table 5: Kazakhstan Barley Exports, January-March 2018, MT

Kazakhstan Export Statistics								
Commodity: 1003, Barley								
Year To Date: January - March								
Partner Country	Unit	Quantity			% Share			% Change
		2016	2017	2018	2016	2017	2018	2018/2017
World	T	310,383	219,646	529,254	100.00	100.00	100.00	140.96
Iran	T	290,301	195,432	507,814	93.53	88.98	95.95	159.84
Uzbekistan	T	6,475	11,643	9,430	2.09	5.30	1.78	- 19.00
Germany	T	-	-	6,136	0.00	0.00	1.16	0.00
United Kingdom	T	-	-	2,965	0.00	0.00	0.56	0.00
Afghanistan	T	1,175	2,607	1,880	0.38	1.19	0.36	- 27.87
Tajikistan	T	-	664	731	0.00	0.30	0.14	10.09
Turkmenistan	T	130	-	210	0.04	0.00	0.04	0.00
Czech Republic	T	-	-	44	0.00	0.00	0.01	0.00
Netherlands	T	-	-	44	0.00	0.00	0.01	0.00
Turkey	T	2,802	-	-	0.90	0.00	0.00	0.00
United States	T	9,500	9,300	-	3.06	4.23	0.00	- 100.00

Source of Data: Customs Control Committee of the Ministry of Finance

From January to March 2018, Kazakhstan exported 612,446 tons of wheat flour. Of the reported exports, 64 percent were destined for Afghanistan and 31 percent to Uzbekistan. Please, see Table 6 below.

Table 6: Kazakhstan Wheat Flour Exports, January-March 2018, MT

Kazakhstan Export Statistics								
Commodity: 1101, Wheat Or Meslin Flour								
Year To Date: January - March								
Partner Country	Unit	Quantity			% Share			% Change
		2016	2017	2018	2016	2017	2018	2018/2017
World	T	527971	487148	612446	100.00	100.00	100.00	25.72
Afghanistan	T	301980	329898	392266	57.20	67.72	64.05	18.91
Uzbekistan	T	187315	133660	190026	35.48	27.44	31.03	42.17
Turkmenistan	T	7949	7422	21924	1.51	1.52	3.58	195.37
Tajikistan	T	25911	12833	5652	4.91	2.63	0.92	- 55.96
China	T	1988	2886	1755	0.38	0.59	0.29	- 39.21
United Arab Emirates	T	136	0	528	0.03	0.00	0.09	0.00
Moldova	T	384	448	296	0.07	0.09	0.05	- 33.93
Mongolia	T	1977	0	0	0.37	0.00	0.00	0.00
Georgia	T	204	0	0	0.04	0.00	0.00	0.00
Iran	T	0	0	0	0.00	0.00	0.00	0.00
Iraq	T	128	0	0	0.02	0.00	0.00	0.00

Source of Data: Customs Control Committee of the Ministry of Finance

Eurasian Economic Union Trade:

From January to March 2018, Kazakhstan exported 62,512 metric tons of wheat, 483 metric tons of barley and 12,985 metric tons of wheat flour within the Eurasian Economic Union (EAEU) countries, showing growth up to 776 percent since last year. Please see Table 7 below.

Table 7: Kazakhstani Exports within the EAEU, MT

	Jan-Mar 2018	% change from Jan-Mar 2017
Wheat	62,512	460
KYRGYSTAN	27,235	41
RUSSIA	35,277	83
Barley	483	530
KYRGYSTAN	483	-
RUSSIA		
Wheat flour	12,985	776
ARMENIA	20	-
BELARUS	12	-
KYRGYSTAN	9,454	88
RUSSIA	3,499	576

Source: [EAEU statistics](#)

At the same time, Kazakhstan imported 18,937 metric tons of wheat and 17,516 metric tons of barley from Russia when it had not imported any in 2017. Wheat flour imports from Russia have doubled from last year. Please see table 8 below.

Table 8: Kazakhstani Imports within the EAEU, MT

	Jan-Mar 2018	% change from Jan-Mar 2017
Wheat	18,937	-
RUSSIA	18,937	-
Barley	17,516	-
RUSSIA	17,516	-
Wheat flour	761	200
RUSSIA	761	200

Source: [EAEU statistics](#)

[Astyk Trans JSC, Kazakhstan's largest grain transportation company](#), plans to buy 421 grain hoppers this year. To date, Astyk Trans has repaired 330 grain hopper cars, extending their service life. The company plans to repair another 1,080 hoppers by the end of 2018. By the beginning of MY 2018/2019 the fleet of Astyk Trans JSC will reach 5,810 hoppers. Kazakhstan's fleet of grain hoppers, including rented ones, will amount to 10,000-11,000 hoppers. This is expected to mitigate the transportation problems Kazakhstani traders experienced last year.

Additionally, the company lowered the rent for export transportation by 15 percent: the hopper car rent is now set at 9,000 tenge per day for grain export transportation and 4,500 tenge for grain

transportation within Kazakhstan. Astyk Trans lowers the car rent every summer when the export transportation volume usually decreases. In May 2018, Kazakhstan National Railways introduced the same rail tariffs for both inventory fleet cars and private cars. National Railways believes that this will allow Kazakhstani railcar owners to compete with the foreign owners and attract investment in order to renew their fleet. Astyk Trans JSC was organized in 2013, and today the Russian company RusAgroTrans is its sole owner.

POLICY

Kazakhstan has launched an online index-based insurance system, government-owned Information and Accounting Center JSC, for agricultural producers. The new system enables farmers to insure their crops against soil moisture deficit, for moderate to severe droughts can occur every three to five years in Kazakhstan. Over 10,000 hectares will be insured this year against soil moisture deficit under these agreements.

A [new approach to seed distribution](#) may affect the current planting season. For years, farmers would replant from the previous year's harvests instead of purchasing certified seed, which reduced grain quality below what many international buyers require. The Kazakhstani Government is now paying seed producers directly for first reproduction and elite seeds, which the seed breeders provide directly to commercial farmers. After completing their harvest in the fall, the farmers will pay 30 percent of the seed price to the Seeds Development Fund. This Fund supports accredited seed breeders by providing them 1-2 percent loans for machinery and equipment. This new mechanism promises 100 percent coverage of domestic seeds on the market not lower than third reproduction; however, since it won't be fully implemented until after the Ministry's amended "State Program for the Development of the Agroindustrial Complex" is approved, possibly this month, effects this year will be minimal.

Another [new development](#) this year relates to fertilizer distribution, which has transitioned to an online application process. This spring farmers applied for 446,000 tons of fertilizers, including 270,000 tons for spring planting. In May 2018, farmers were shipped 93,000 tons of fertilizers, or 21 percent of the requested amount.

Kazakhstan's [Ministry of Agriculture](#) will abolish some types of subsidies in crop and livestock production and replace them with other financial supports. The ministry plans to cancel the per-hectare subsidies in the crop industry starting in 2019 and the per-head cattle subsidies in 2020. Instead, the Ministry of Agriculture will focus on financial instruments such as interest rate compensation, investment subsidies, agricultural insurance, credit partnerships, and guarantee mechanisms. Agriculture Minister Umirzak Shukeyev has assured farmers there will be no reduction in the value of subsidies, but rather increasing financial support via these new instruments. He pointed out that subsidies in Kazakhstan's agriculture total only 4-5% of total agricultural production, below the 8.5% allowed by the WTO and much less than in the other countries of the Eurasian Economic Union.

NOTE: The National Bank of Kazakhstan exchange rate as of July 11, 2018: U.S. Dollar/343.25 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	12373	11912	11912	11500	11400
Beginning Stocks	2599	2599	3364	3364	2826	2826
Production	14985	14985	14802	14802	14000	14000
MY Imports	80	80	60	60	60	60
TY Imports	78	78	60	60	60	60
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	17664	17664	18226	18226	16886	16886
MY Exports	7400	7400	8500	8500	8000	8000
TY Exports	7250	7250	8500	8500	8000	8000
Feed and Residual	2100	2100	2100	2100	1900	2100
FSI Consumption	4800	4800	4800	4800	4800	4800
Total Consumption	6900	6900	6900	6900	6700	6900
Ending Stocks	3364	3364	2826	2826	2186	1986
Total Distribution	17664	17664	18226	18226	16886	16886
Yield	1.2111	1.2111	1.2426	1.2426	1.2174	1.2281
(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	1893	2069	2069	2200	2105
Beginning Stocks	115	115	395	395	265	265
Production	3231	3231	3305	3305	3500	3500
MY Imports	2	2	15	15	5	5
TY Imports	4	4	15	15	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3348	3348	3715	3715	3770	3770
MY Exports	753	753	1250	1250	1300	1300
TY Exports	869	823	1200	1200	1300	1300
Feed and Residual	1900	1900	1900	1900	1900	1900
FSI Consumption	300	300	300	300	300	300
Total Consumption	2200	2200	2200	2200	2200	2200
Ending Stocks	395	395	265	265	270	270
Total Distribution	3348	3348	3715	3715	3770	3770
Yield	1.7068	1.7068	1.5974	1.5974	1.5909	1.6627
(1000 HA) ,(1000 MT) ,(MT/HA)						