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Kazakhstan - Republic of

Grain and Feed Update

Kazakhstan: Grain and Feed Update

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Report Highlights:

FAS/Astana forecasts Kazakhstan's wheat production in MY 2016/17 at 13.0 MMT, at the same level as in the previous estimate and significantly down from the record 22.7 MMT in 2011. This MY 201/17 estimate is based on Kazakhstan's observations of the planting in 2016 and favorable weather conditions during planting season. Barley production is estimated at 2.7 MMT. The New Minister of Agriculture reinstated the per hectare subsidies, which had been previously cancelled.

Post:
Astana

Executive Summary:

FAS/Astana forecasts Kazakhstan's wheat production in MY 2016/17 at 13.0 MMT, at the same level as in the previous estimate and significantly down from the record 22.7 MMT in 2011. This MY 201/17 estimate is based on Kazakhstan's observations of the planting in 2016 and favorable weather conditions during planting season. Barley production is estimated at 2.7 MMT. The New Minister of Agriculture reinstated the per hectare subsidies, which had been previously cancelled.

Author Defined:

PRODUCTION

FAS/Astana forecasts Kazakhstan's wheat production in MY 2016/17 at 13.0 MMT, same as the previous estimate. MY 2016/17 production is down significantly from the record 22.7 MMT in 2011. While weather was favorable during the 2016 planting, the crop is still in its early growth stages. The level of rains in August will ultimately determine the size of production.

FAS/Astana forecasts barley production at 2.7 MMT in MY 2016/2017, only slightly higher than in MY 2015/16 (2.6 MMT). This increase is based on projected higher sown and harvested area.

Favorable conditions (sufficient soil moisture, good weather with minimal rains and timely preparations) during the 2016 sowing resulted in a larger sown crop than in 2015. Traditionally the largest planted areas for spring grain crops are in the Akmola region (4.2 million hectares), the Kostanay region (4.1 million hectares) and the North-Kazakhstan region (3.2 million hectares). The total planned area for spring grain crops was declared by the Kazakhstani Ministry of Agriculture as 14.4 million hectares; however actual planted area was 14.5 million hectares.

The Ministry of Agriculture reported in its Final Sowing Report, that as of June 15, 2016 spring sowing works totaled 14,496 thousand hectares for spring grain crops and 1,922 thousand hectares for oilseeds crops. Please, see Table 1 below.

Table 1: Sowing area in 2016 for spring grain crops

Region	Plan		Actual		% to plan	
	2015	2016	2015	2016	2015	2016
AKMOLA	4196.4	4217.7	4010.6	4217.7	95.6	100.0
AKTOBE	341.7	336.2	316.6	339.0	92.7	100.8
ALMATY	216.2	230.1	225.5	229.8	104.3	99.9
ATYRAU	0	0	0	0	0	0
WEST KAZ	273.9	210.0	227.6	165.3	83.1	78.7
ZHAMBYL	120.4	141.4	132.9	147.6	110.4	104.4
KARAGANDA	704.2	700.2	544.9	736.9	77.4	105.2
KOSTANAY	4018.3	4099.3	2924.4	4178.1	72.8	101.9
KYZYLORDA	2.5	3.0	2.2	3.8	89.6	126.7
SOUTH KAZ	74.9	41.2	70.8	46.2	94.5	112.1

PAVLODAR	673.3	665.3	658.6	666.4	97.8	100.2
NORTH KAZ	3300.0	3210.0	2031.4	3210.0	61.6	100.0
EAST KAZ	569.5	560.4	551.8	556.2	96.9	99.3
TOTAL	14491.3	14414.8	11697.3	14496.9	80.7	100.6

Source: [Kazakhstani Ministry of Agriculture sowing report as of June 15,2016](#)

Spring 2016 oilseeds planting was efficient, outpacing the 2015 planting progress. Total planted area in 2016 is 1.9 million hectares, which is 210,000 hectares or 10% less, than in 2015. Two factors significantly influenced farmers' decision to decreasing the oilseed planting area: the cancellation of the per-hectare subsidy which was higher for oilseeds and the 2015 cabbage moth infestation which significantly increased the cost of production for oilseeds. The largest areas for oilseeds in Kazakhstan are the North-Kazakhstan region (469,700 hectares), the East-Kazakhstan region (377,600 hectares) and the Kostanay region (270,000 hectares). Please, see Table 2 below.

Table 2: Sowing area in 2016 for oilseeds

Region	Plan		Actual		% to plan	
	2015	2016	2015	2016	2015	2016
AKMOLA	245.3	206.7	238.7	206.7	97.3	100.0
AKTOBE	34.0	38.6	34.0	34.3	100.0	88.9
ALMATY	161.5	160.0	161.5	161.5	100.0	100.9
ATYRAU	0	0	0	0	0	0
WEST KAZ	50.0	50.0	49.6	51.2	99.2	102.5
ZHAMBYL	88.7	91.9	91.1	75.9	102.7	82.6
KARAGANDA	20.7	12.0	10.0	13.0	48.3	108.3
KOSTANAY	335.8	315.0	203.5	270.0	60.6	85.7
KYZYLORDA	3.1	5.4	5.9	5.9	190.3	109.3
SOUTH KAZ	103.4	72.3	90.9	81.5	87.9	112.7
PAVLODAR	164.2	152.6	150.8	174.9	91.8	114.6
NORTH KAZ	579.7	469.7	442.6	469.7	76.3	100.0
EAST KAZ	351.7	354.0	362.7	377.6	103.1	106.7
TOTAL	2138.1	1928.2	1841.3	1922.2	86.1	99.7

Source: [Kazakh Ministry of Agriculture sowing report as of June 15,2016](#)

The Kazakhstani Ministry of Agriculture, at their traditional planting briefing stated, that it expects MY 2016/2017 grain production at the same level as in MY 2015/2016. However this production estimate depends on the climatic conditions during the vegetation and harvesting periods. The Ministry also noted that the traditional grain export markets, Iran and other Central Asian counties, remain open and Kazakhstan will continue to export to those countries. Additionally, Kazakhstan continues to pursue grain export opportunities with China.

The 2016 spring climatic conditions have been favorable (please, see Table 3 below). Following a plentiful winter snowfall, the soil moisture content was sufficient, but not excessive, similar to 2015. Many farmers confirm that the spring planting weather allowed them to work on planting through the end of May. Such a favorable environment has not existed in the last few years.

Table 3: Meteorological data on precipitations, % to normal during May and 1-2 decades of June, 2016

Meteorological data	AKMOLA			NORTH-KAZ			KOSTANAY		
	Kokshetau	Atbasar	Zharkent	Bulayev	Ruzayevka	Tainy	Kostanay	Sarykol	Karasu
No of precipitations in May, % to normal	19	82	37	55	122	29	8	39	84
No of precipitations on 1 st decade of June, % to normal	8	31	2	7	2	12	3	0.8	9
No of precipitations on 2 nd decade of June, % to normal	142	45	69	118	128	69	112	219	351

Source: agrosector.kz

NOTE: The normal, monthly precipitation in Akmola region is 30-42 mm, in North-Kazakhstan region is 38-42 mm, in Kostanay region is 35-41 mm.

As was mentioned previously, [FAS/Astana April 2016 Grain And Feed Report](#), the per hectare subsidies (by specific crop) in Kazakhstan were cancelled as of January 1, 2016. This Government decision affected farmer's 2016 planting decisions. Experts have noticed that in the grain producing regions in Kazakhstan the area planted to oilseeds decreased, while the area planted to spring wheat has increased. Previously, the exact opposite was true – area planted to oilseeds was increasing while area planted to spring wheat was declining.

CONSUMPTION

Food, seed, and industrial (FSI) consumption for wheat is expected to remain unchanged at 4.8 MMT in marketing year MY 2016/2017. Flour consumption is expected to grow in tandem with population growth.

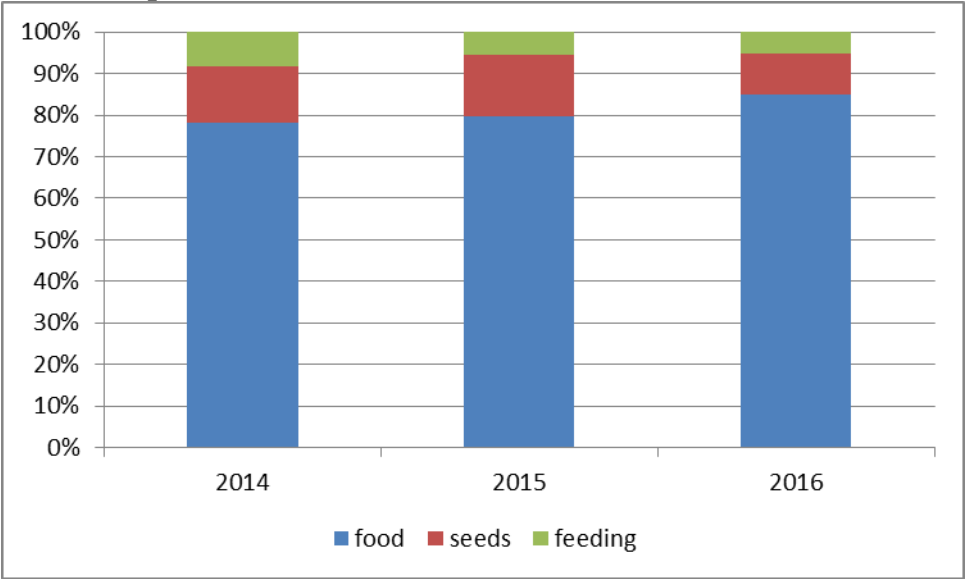
Feed use of wheat in MY 2016/2017, is forecast flat. Although wheat remains the most fed grain in Kazakhstan for livestock, most of the increase in feeding in future years is expected to be in barley and other feed grains and grasses because of the government's strategy to increase area to these crops.

In MY 2016/17, feed use of barley is forecast at 1.75 MMT based on the increasing demand for barley and the new feed mill projects recently launched in Kazakhstan.

As of June 1, 2016, nearly 85% of wheat is used for food consumption, 10% for seed and 5% for feed. Please, see Chart 1 below. A year ago wheat consumption was nearly identical to the 2016 data, showing 80% for food, 15% for seeds and 5% for feed.

Note: Feed consumption as of June 1, 2016, for both wheat and barley, is down 30 percent. This could possibly be explained by the transfer of cattle to summer grazing.

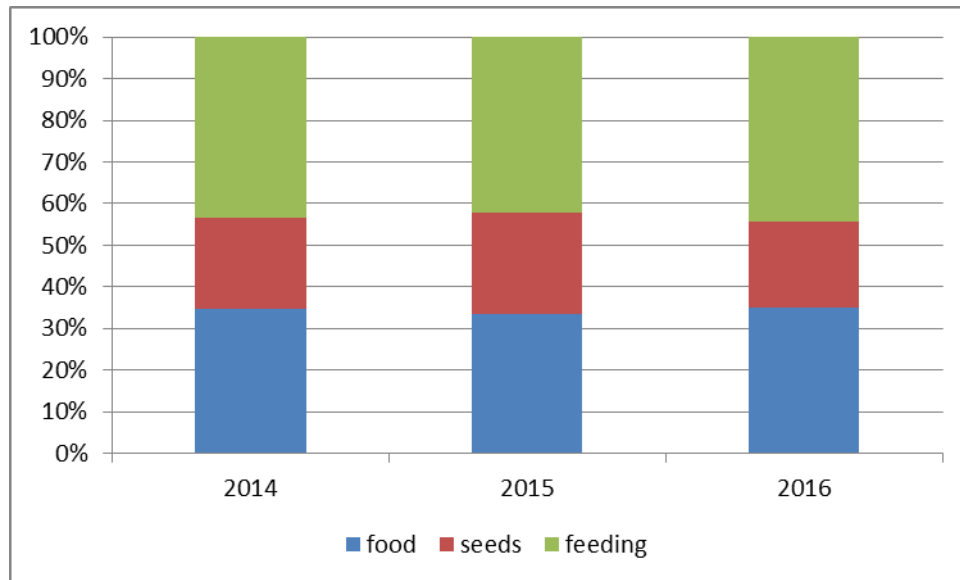
Chart 1: Wheat Consumption Structure as of June 1



Source: Kazakhstan Statistical Service

Barley consumption includes 33% for food, 24% for seed and 42% for feed. The barley consumption structure remains mainly unchanged, compared to June 1, 2015. However, the 2016 stocks are down 249,000 tons compared to 2015 stocks at the same time. Please, see Chart 2 below.

Chart 2: Barley Consumption Structure as of June 1



Source: Kazakhstan Statistical Service

Flour Mill Industry Update

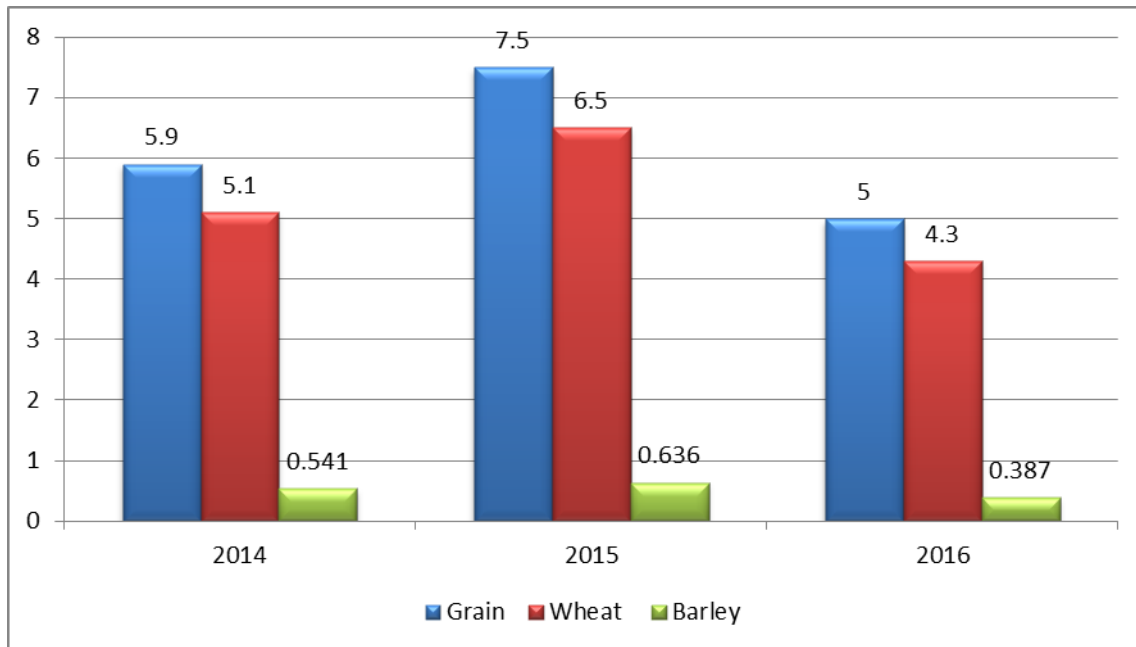
During May 2016 wheat prices increased between 18 and 24 percent, largely because of decreasing stocks. As a reaction to this price increase, millers increased prices for wheat flour. The price for premium class wheat flour increased 15% and 1st class wheat flour increased 16%. A number of factors led to the increase in wheat prices: a) the US Dollar/Russian Ruble/Kazakhstani Tenge exchange rate fluctuations, b) decreasing supply of wheat in the market along with a decrease in mill stocks, and c) higher international prices in Europe and Russia for wheat.

STOCKS

The Kazakhstan Statistical Agency reported on June 1, 2016 that the Kazakhstani grain stocks reached 5 MMT, 33% less than in 2015 mainly due to a decline in wheat stocks, which are 2.2 MMT (or 33%) less than wheat stocks on June 1, 2015 (6.5 MMT).

Barley stocks also decreased 40% since June 1, 2015 because of decrease in food, seed and feed use, on average between 36 to 48%. Please, see Chart 3 below.

Chart 3: Grains, Wheat and Barley Stocks as of June 1st, MMT



Source: Kazakhstan Statistics Service

TRADE

Kazakhstani grain exports analysis show a number of regional markets developments that have affected the end of the previous marketing year and the current marketing year:

- Iran and Kazakhstan signed a Memorandum of Understanding for a grain terminal project. The project is to be built in 2016-2017 on the border between Turkmenistan and Iran on the Inche-Burun railway station. It is projected to have a 10,000 ton storage capacity. This infrastructural project will help Kazakhstan continue to export to Iran and the Persian Gulf countries.
- During the period February to May 2016, experts noticed a trend of declining Kazakhstani exports in wheat and a growth in Kazakhstani wheat flour exports by rail. However in June 2016, the situation may change with a decline in consumption during the month of Ramadan and a start of the harvesting season in the importing countries.
- Stable exports to China during the last four months could be an indication of further development of the Chinese market.
- Wheat flour exports to Central Asian countries continue to grow, however import duties affect millers' margins.
- Kazakhstan's exports to Iran dropped significantly, most notably as transshipments through the Caspian Sea grain terminal decreased approximately 80 percent.
- Kazakhstan's wheat exports to Afghanistan decreased during May-June 2016, mainly because of Afghanistan's shift to wheat flour imports instead of wheat imports.

Barley exporters explain the following factors, which affect Kazakhstan barley exports:

- Because Turkey’s barley production estimates are down 2 million tons, Kazakhstani exporters are hopeful that Kazakhstani exports to Turkey will increase.
- Iran’s barley production is expected to be flat, but Iranian barley demand continues to grow.
- Barley exports to Iran are observed to be increasing after the grain terminal capacity extension on the Caspian Sea.

During the period January to May 2016, Kazakhstan exported 1.6 million tons of wheat. These exports were mainly to Central Asian countries (80%) and China (11%). Please, see Table 4 below.

Table 4: Kazakhstan wheat exports, January-May 2016, MT

Country	Volume, MT
Azerbaijan	17,401.5
Tajikistan	378,850.6
Uzbekistan	595,429.1
Afghanistan	101,900.7
Iran	212,966.2
Italy	55,752.3
China	186,281.5
Netherland	9,999.4
Norway	2,800.0
UAE	1,000.0
Poland	11,014.7
USA	5,000.0
Turkey	33,145.6
Sweden	14,595.5
TOTAL	1,626,137.2

Source: Kazakhstan Customs Statistics

During the period January to May 2016, Kazakhstan exported 330,631 tons of barley with 93% of Kazakhstan’s exports destined for Iran. Please, see Table 5 below.

Table 5: Kazakhstan barley exports, January-May 2016, MT

Country	Volume, MT
Turkmenistan	130.0
Uzbekistan	8,969.4
Afghanistan	1,581.7
Iran	307,649.0
USA	9,500.0
Turkey	2,801.8
TOTAL	330,631.8

Source: Kazakhstan Customs Statistics

During the period January to May 2016, Kazakhstan exported 938,977 tons of wheat flour. Fifty-eight percent of Kazakhstan’s exports were destined for Afghanistan and 34% to Uzbekistan. Please, see Table 6 below.

Table 6: Kazakhstan wheat flour exports, January-May 2016, MT

Country	Volume, MT
Moldova	624.0
Tajikistan	42,592.8
Turkmenistan	15,588.0
Uzbekistan	323,088.8
Afghanistan	548,225.5
Georgia	204.0
Iraq	256.0
Iran	67.3
China	3,664.0
Mongolia	4,530.9
UAE	136.0
TOTAL	938,977.1

Source: Kazakhstan Customs Statistics

Chart 4: Kazakhstan wheat exports by rail, Sep 2015-May 2016, 1,000 MT

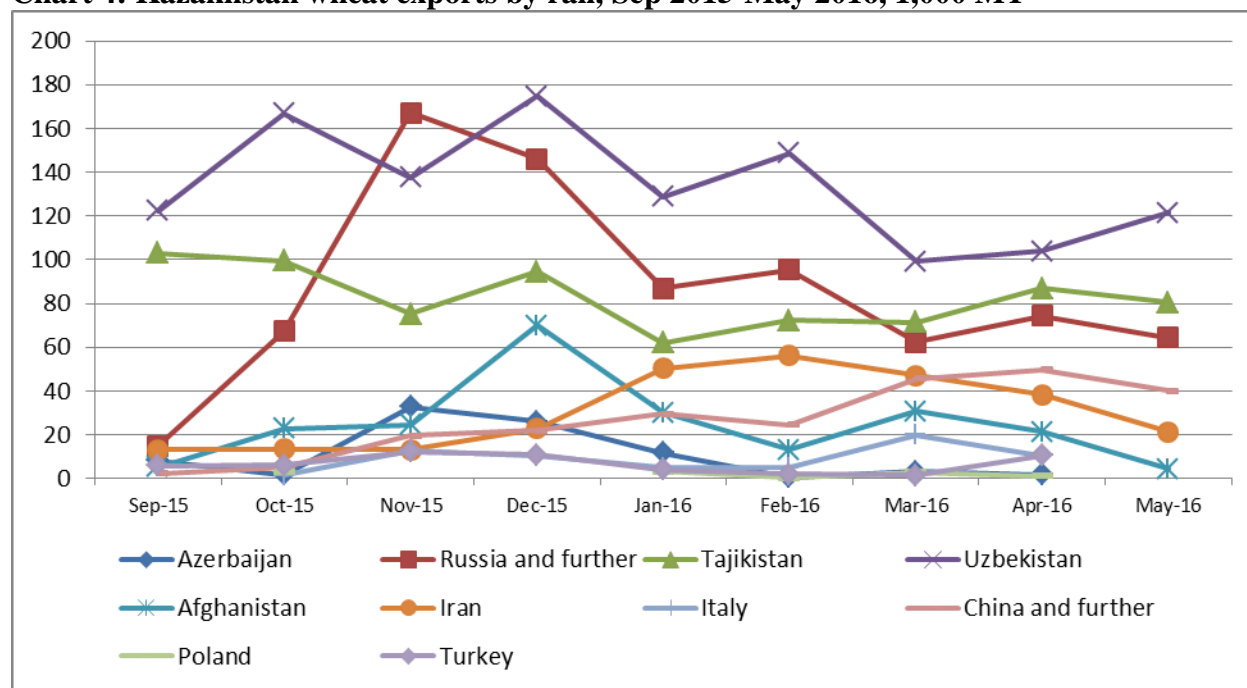


Chart 5: Kazakhstan barley exports by rail, Sep 2015-May 2016, 1,000 MT

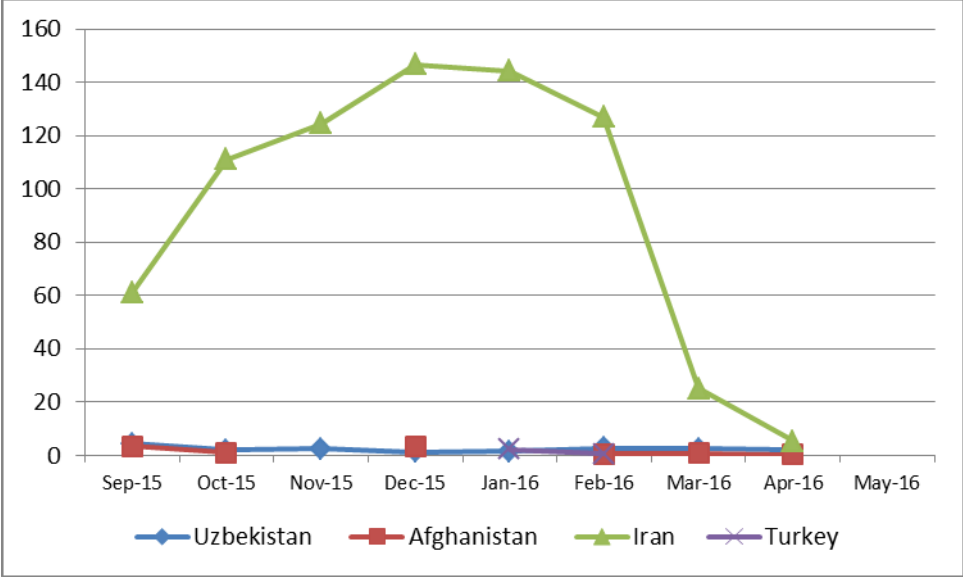
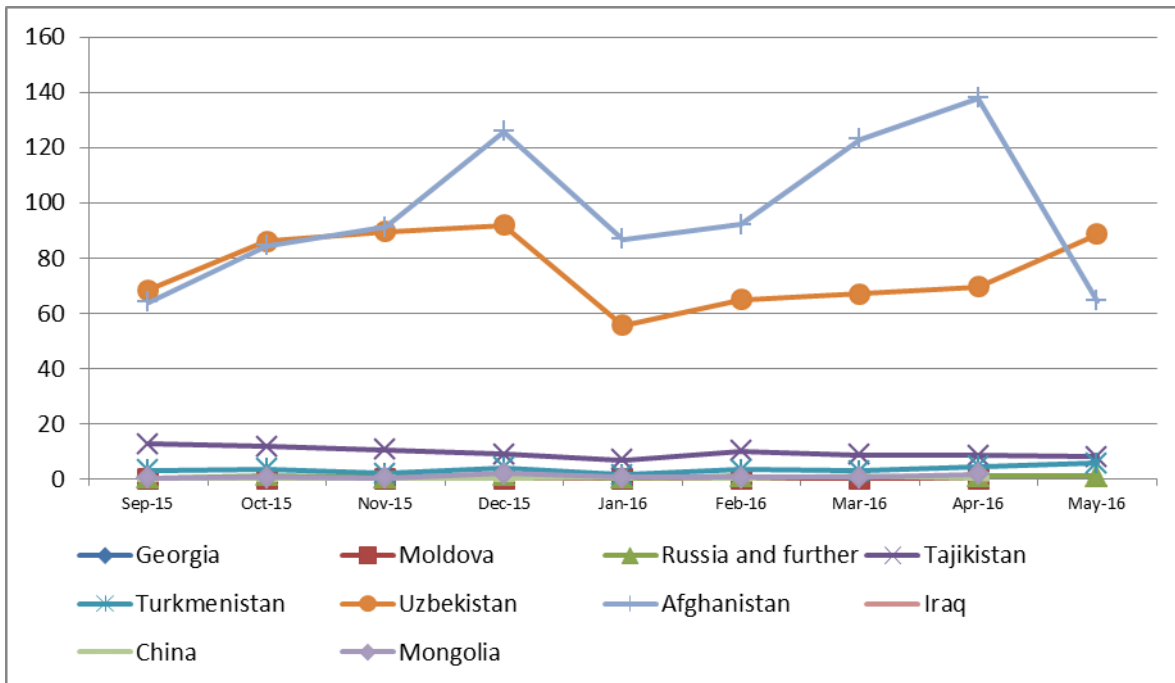


Chart 6: Kazakhstan wheat flour exports by rail, Sep 2015-May 2016, 1,000 MT



During the period January to April 2016, Kazakhstan exported 275,779 tons of wheat, 1,500 tons of barley and 17,385 tons of wheat flour within the Eurasian Economic Union countries. Please, see Table 7 below.

Table 7: Kazakhstani grain exports within EAEU, MT

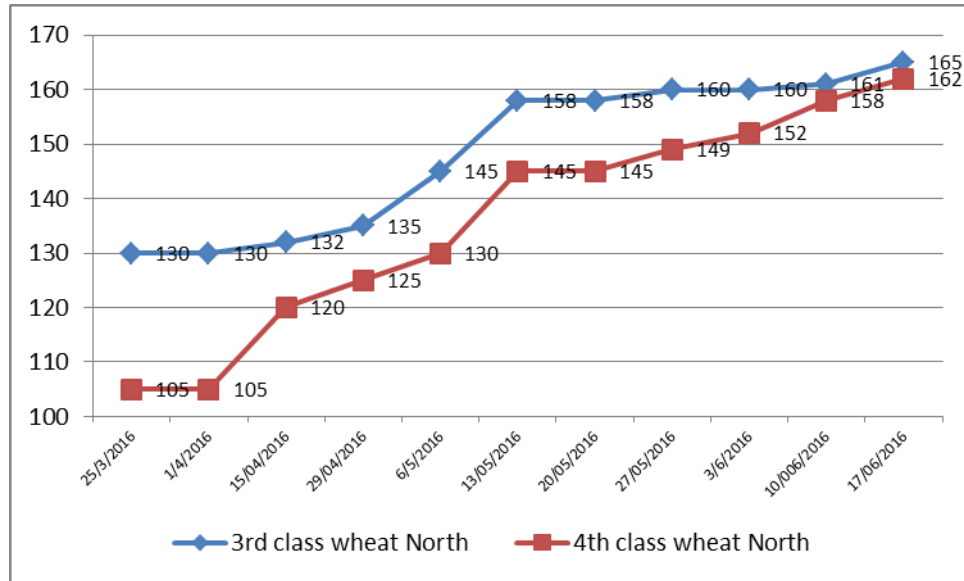
	Jan-Dec 2015	Jan-Apr 2016
Wheat	682,858	275,779
KYRGYS	335,153	80,254
TAN		
RUSSIA	347,705	195,525
Barley	12,128	1,500
KYRGYS	3,603	0
TAN		
RUSSIA	8,524	1,500
Wheat flour	35,276	17,385
ARMENIA	49	0
KYRGYS	32,054	16,195
TAN		
RUSSIA	3,173	1,190

Source: [EAEU statistics](#)

PRICES

Wheat prices increased slightly in May 2016 due to decreasing stocks, active sowing works and US dollar/Russian ruble/Kazakh Tenge exchange fluctuations. In particular, 3rd class wheat prices increased in average for 18%, 4th class wheat increased 24%, 2nd class barley increased 13%. Please, see Chart 7 below.

Chart 7: Kazakhstan Wheat 3rd and 4th class prices in the North of Kazakhstan, Mar-June, 2016



Source: www.margin.kz

POLICY

Land Reform

Agricultural land privatization legislation discussions in Kazakhstan have been very much on the forefront since the last [FAS/Astana April 2016 Grain and Feed report](#). Early in May 2016, the Minister of Agriculture of the Republic of Kazakhstan resigned his position following a number of public protests over proposed land reform in Kazakhstan. Mr. Askar Myrzakhmetov was appointed as the new Minister of Agriculture.

While both private and state land ownership are mentioned in Article 6 of the Kazakhstani Constitution, only 1% of agricultural lands in Kazakhstan are privately held. Today there are 100.8 million hectares of agricultural land in Kazakhstan, including 1.3 million hectares which are privately held by Kazakhstani citizens and 99.5 million hectares rented under 49-year rental agreements. This includes 68.4 million hectares of pasture lands. Foreign citizens are only permitted to rent land in Kazakhstan. Currently, 65,000 hectares of agricultural land in Kazakhstan, which includes 45,000 hectares for Kazakh-American joint venture “KazBeef”. Total area for state land reserve makes 100.1 million hectares, which includes lion portion of 78.5 million hectares of unwatered pastures.

The history of agricultural land legislation is provided below in Box 1.

Box 1: Overview of the Kazakhstan agricultural lands legislation since 1990

Since 1990, agricultural lands could be rented to both Kazakhstani citizens and foreigners for short-term periods – up to 3 years and long-term periods – up to 10 years.

Since 1995, agricultural lands could be given to both Kazakhstani citizen and foreigners for rent for short-term period – up to 3 years and long-term period – from 3 up to 99 years.

Since 2001, agricultural lands could be given for rent to natural persons and legal entities of the Republic of Kazakhstan: for short-term – up to 5 years, long-term – from 5 to 49 years; and for foreigners – up to 10 years with no power of further transfer to secondary land use.

Since 2003, Land Code amendments allowed natural persons and legal entities of the Republic of Kazakhstan to obtain agricultural lands for private ownership.

Since 2003, Kazakhstani Government set the maximum size of agricultural lands within one administrative region (county) or city, which could be rented by foreigners.

Since 2011, foreigners, as well as legal entities with foreign capital of more than 50 percent, can rent agricultural lands for up to 10 years.

Since January 1, 2015, agricultural lands could be given to foreigners for rent for up to 25 years with the purpose to attract investments.

Source: Zherturaly.kz

In order to provide rational and effective agricultural land use, in November 2015 the Kazakhstani Government proposed the following legal amendments on agricultural lands. (See Box 2 below)

Box 2: Proposed amendments to Kazakh Land Codes

Introduction of a new mechanism of land auctions. Agricultural lands under state ownership can be transferred to Kazakhstani natural persons and legal entities for private ownership through auction procedures, when the estimated cost would be raised. If by the end of two auctions, a land plot has not sold, the price at the next auction should be set downwards until the minimal level of 50% of the cadaster price is reached.

The auction should be organized with the following sequence: the local governments should identify agricultural land plots for auction. All costs for auctions should be covered by local governments.

According to Article 24 of the Land Code, foreign individuals, foreign legal entities, as well as legal entities with foreign capital of more than 50 percent **can only rent agricultural lands for up to twenty five years**. Hence, agricultural lands cannot be sold to foreign individuals or entities.

Preferences for land purchases currently under rental agreement: provides for the interests of the natural persons and legal entities of the Republic of Kazakhstan and gives them the right to purchase previously rented land plots prior to expiration of the rental term, with the preferential price at 50% of its cadaster price, with installments of 10 years.

The provision also protects the rights of the shareholders, who transferred land to partnerships or industrial capital cooperatives.

Lifting restrictions on operations with rented agricultural lands. The amendments allows for the use of rented agricultural land as collateral or disposition of rights within the rental term.

Source: Zherturaly.kz

Crop Subsidies

As was mentioned previously, [FAS/Astana April 2016 Grain And Feed Report](#), the per hectare subsidies (by specific crop) in Kazakhstan were cancelled as of January 1, 2016. This Government decision affected farmer's 2016 planting decisions. One of the new Agricultural Minister's first decisions was to reinstitute the per hectare subsidies. This decision was announced during the planting season and therefore had no impact on 2016 crop decisions. Prior to 2016 area planted to oilseeds was increasing, largely due to the higher per hectare subsidies for oilseeds and higher oilseeds market prices. In 2016, the elimination of per hectare subsidies saw a reversal in this trend with more area planted to wheat. It is uncertain whether the decision to reinstate per hectare subsidies will change next year's planting decisions.

Food Security

During April 26-28, 2016 Astana hosted the [7th Ministerial Conference of The Organization of Islamic Cooperation \(OIC\) on Food Security](#). Discussions at the conference focused on the current state of agricultural and food security in the Member States and the establishment of the Islamic Organization for Food Security (IOFS) in Kazakhstan. The new organization will be tackling: population provisions in Islamic countries, achieving more affordable food, based on their climatic conditions and geographical location, creating favorable transport and logistics routes to minimize the cost of food supplies to OIC member-countries, and the stabilization of food prices through formation and management of shared food funds.

Kazakhstani President Nursultan Nazarbayev, first initiated the establishment of IOFS in 2011 at the 38th session of OIC Foreign Ministers' Council. Two years later, at the meeting in Astana of 30 OIC member states' experts, the draft charter document was agreed upon. The IOFS HQ will be in Astana. Its office will provide the expertise and technical know-how to member states on the various aspects of effective development of agriculture, rural areas, food security and the development of biotechnology.

NOTE: The National Bank of Kazakhstan exchange rate as of July 13, 2016: U.S. Dollar/338.51 Tenge.

PSD

Wheat Market Begin Year Kazakhstan	2014/2015		2015/2016		2016/2017	
	Sep 2014		Sep 2015		Sep 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11923	11923	11571	11570	11000	11000
Beginning Stocks	1988	1988	3245	2184	2668	2053
Production	12996	12996	13748	13747	13000	13000
MY Imports	600	600	75	22	60	30
TY Imports	600	600	75	22	60	30
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	15584	15584	17068	15953	15728	15083
MY Exports	5539	6600	7500	7000	7000	6700
TY Exports	5507	6600	7500	7000	7000	6700
Feed and Residual	2000	2000	2100	2100	2100	2100
FSI Consumption	4800	4800	4800	4800	4800	4800
Total Consumption	6800	6800	6900	6900	6900	6900
Ending Stocks	3245	2184	2668	2053	1828	1483
Total Distribution	15584	15584	17068	15953	15728	15083

(1000 HA) ,(1000 MT)

Barley Market Begin Year Kazakhstan	2014/2015		2015/2016		2016/2017	
	Jul 2014		Jul 2015		Jul 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1909	1909	2038	2038	2100	2100
Beginning Stocks	282	282	238	237	108	141
Production	2412	2412	2675	2675	2700	2700
MY Imports	27	26	10	39	10	10
TY Imports	28	28	10	39	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2721	2720	2923	2951	2818	2851
MY Exports	483	483	815	810	700	700
TY Exports	476	476	800	810	700	700
Feed and Residual	1700	1700	1700	1700	1750	1750
FSI Consumption	300	300	300	300	300	300
Total Consumption	2000	2000	2000	2000	2050	2050
Ending Stocks	238	237	108	141	68	101
Total Distribution	2721	2720	2923	2951	2818	2851

(1000 HA) ,(1000 MT)