

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Kazakhstan - Republic of

Grain and Feed Annual

Grain and Feed Annual 2013

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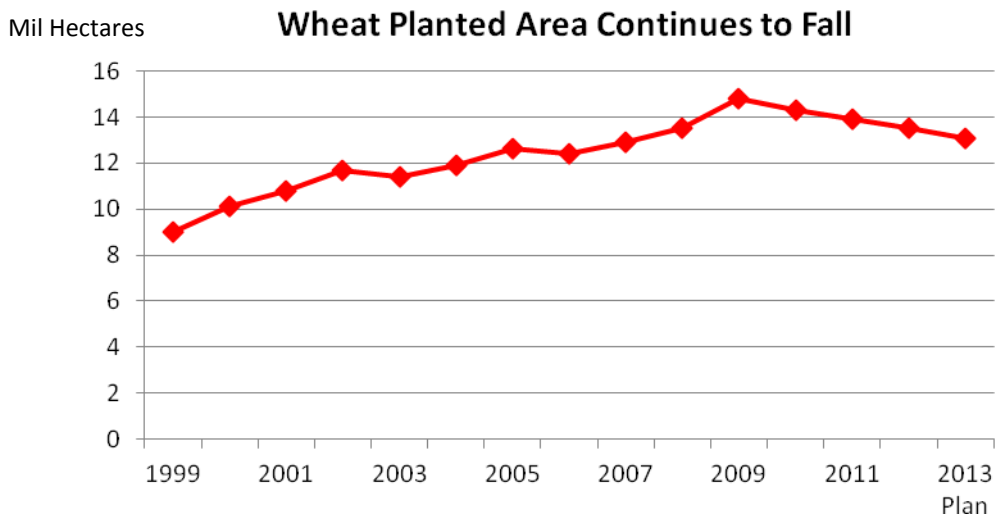
Report Highlights:

Kazakhstan grain production is expected to recover from last year's poor crop, with wheat production forecast at 15 million metric tons (MMT), up from only 9.8 MMT in 2012 (but significantly below the record 22.7 MMT in 2011). Spring sowing will not begin for a number of weeks, and as a result yield forecasts are extremely preliminary. However, one positive factor that could boost yields in 2013 is more rains last autumn, plus increased winter snow cover, have boosted soil moisture levels. Wheat exports for 2013/14 marketing year are forecasted at 7.5 MMT, up from 6.5 MMT in 2012/13.

Production:

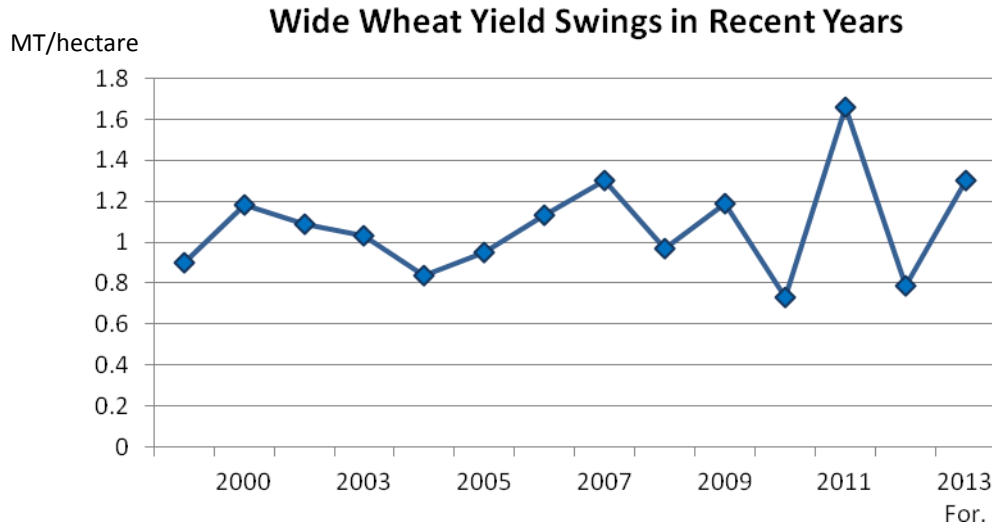
Kazakhstan grain production is expected to recover from last year’s poor crop, with wheat production forecast at 15 million metric tons (MMT), up from only 9.8 MMT in 2012 (but significantly below the record 22.7 MMT in 2011). Wheat planted area is forecast to continue to decline in 2013, with the Kazakhstan Ministry of Agriculture forecasting a decline of 2 percent to 13.1 million hectares. If realized, this would be the fourth straight year of falling wheat area (see chart below). Because of the difficulty getting wheat exports to distant markets, and the Kazakhstan Government’s focus on building domestic livestock and poultry production, the Ministry has a plan to increase the diversification of crop area away from wheat to other feed crops and oilseeds. In recent years wheat planted area has accounted for 64 percent of all planted area in Kazakhstan, and 83 percent of grain and pulse planted area.

Despite lower planted area expected in 2013, harvested area is forecast to be up significantly, as poor yields last year resulted in many fields in drought-impacted areas being left unharvested.



Data Source: Kazakhstan Statistics Agency and Ministry of Agriculture Plan for 2013

Spring sowing will not begin for a number of weeks, and as a result yield forecasts are extremely preliminary. Yield swings have been very dramatic in recent years, making forecasting difficult (see chart below). However, one positive factor that could boost yields in 2013 is more rains last autumn, plus increased winter snow cover, have boosted soil moisture levels.



Data Source: USDA/FAS PSD System and FAS/Astana forecast for 2013

Government Support for 2013 Crop Production

Loans and Credit

The Ministry of Agriculture announced a number of programs to support spring sowing and 2013 crop production in general. These included a budgetary loan to KazAgro Holding company for a period up to late December 2013 of 60 billion tenge (\$400 million). The Ministry announced that these funds are to be used for:

- Lending to famers for spring sowing and harvesting at a rate of between 5-8 percent
- Lending to microcredit institutions for subsequent funding at a rate of 4 percent (with rates for final users at no more than 8 percent)

In order to mitigate the effects of the 2012 drought, KazAgro and its subsidiaries are also prolonging existing loan terms to regions most impacted by last year's drought.

The Ministry announced that KazAgro also will continue to carry out "forward purchasing" of wheat and barley through the spring and summer at a rate of 6,000 tenge per hectare (\$40) with the budget allocation for these purchases at 13 billion tenge (\$86 million). In addition, the State-owned Food Contract Corporation will use 6.8 billion tenge (\$45 million) to help finance spring field works by doing their own forward purchasing of grain for the State grain reserves.

Subsidies

The Ministry also announced that 31.4 billion tenge (\$200 million) was allocated to subsidize crop production in Kazakhstan. These subsidies are allocated as follows:

- 18.6 billion tenge to subsidize the production of "priority" crops
- 1.9 billion tenge for the cultivation of fruit trees and grapes
- 6.4 billion tenge to reduce the costs of fertilizers and herbicides
- 1.6 billion tenge for the delivery of water for irrigation
- 0.4 billion tenge for increasing cotton quality
- 2.5 billion tenge for the development of seed production

Fuel

The Ministry announced that 360,000 tons of diesel fuel will be needed for spring field works, on par with last year, and that the Ministry of Agriculture has worked with the Ministry of Oil and Gas to make sure this fuel is available to farmers. The stated price for diesel fuel for spring field works will be on average 10-12 percent below market price.

Machinery

The Ministry announced that the preparation of agricultural machinery is also similar to last year, and as of February 15th, 74 percent of tractors, 77 percent of plows, 75 percent of harrows, and 72 percent of seeders were ready for spring use. The Ministry also announced that cheaper interest rates will be provided this year on leasing agricultural machinery.

Seeds

The Ministry announced that 96 percent of planting seed requirements are available, and the 4 percent deficit (80,000 tons) will be made up by regional resources and some supplies from the Food Contract Corporation. The Ministry of Agriculture recently released their Agricultural Program for the period of 2013-2020, and this program calls for subsidies for elite seeds to be raised in subsequent years, with the goal of 8-10 percent of sown area being with elite seeds (as opposed to 4 percent currently)

Fertilizers and Herbicides

The budget for fertilizer and herbicide price support in 2013 is 6.4 billion tenge (\$42 million) and the mechanism for support has been changed in order to encourage purchases from domestic producers. These supplies will be subsidized up to 50 percent of the total cost, while foreign supplies will only be subsidized up to 30 percent. This will be the same case for herbicides. The Agricultural Program for 2013-2020 envisions subsidies for fertilizer to rise to 25-20 billion tenge by the end of the program (\$166-130 million) and for herbicides, the program envisions a rise to 28 billion in subsidies (\$19 million).

Consumption:

Food, seed, and industrial wheat consumption is expected to remain steady in 2013/14, as slightly higher flour consumption due to population growth is offset by lower seed use as a result of continued diversification away from wheat.

Wheat remains by far the largest grain for feeding in Kazakhstan, and with a return to more normal production, the level of wheat feeding is expected to recover from last year's low level.

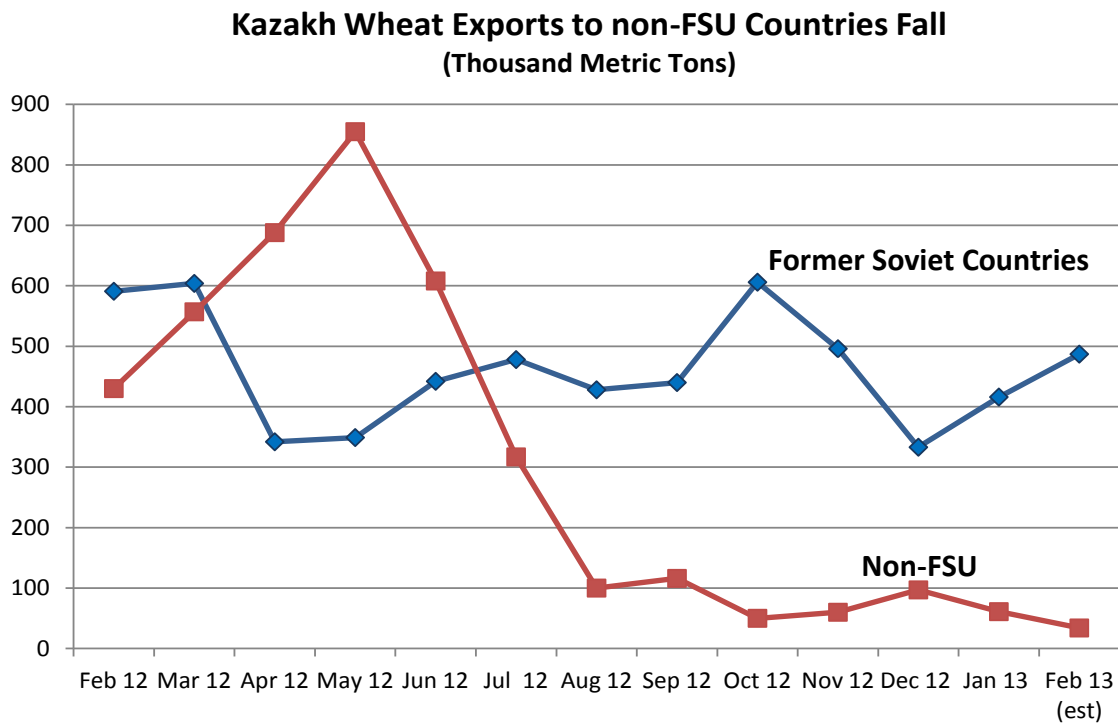
Trade:

Wheat exports for 2013/14 are forecasted at 7.5 MMT, up from 6.5 MMT in marketing year (MY) 2012/13. Although wheat production will be up considerably from 2012, there are a number of factors which will likely limit any very large increase in exports. These include:

- 2013/14 carry-in stocks will be down sharply from last year
- Import demand from Russia is expected to be much smaller (particularly the Urals and Siberia where production was hit by drought in 2012).
- There is expected to be greater competition for Kazakh supplies on the world market from increased Russian exports. This will also lead to enhanced competition for export capacity

including port and rail logistics.

2012/13 marketing year wheat export volumes have been significantly reduced as a result of the smaller crop. The destination of these exports has become much less geographically diverse. For example, while in 2011/12 marketing year 44 percent of exports went to non-Former Soviet Union markets, so far this year that percent has fallen to only 20 percent, and almost completely disappeared in recent months (see chart below). Cross border wheat trade to Russia has risen in recent months, and is expected to continue to be strong until the new crop Russian wheat is harvested.



Data Source: Kazakh Customs and Railway Data and FAS/Astana estimate for February 2013

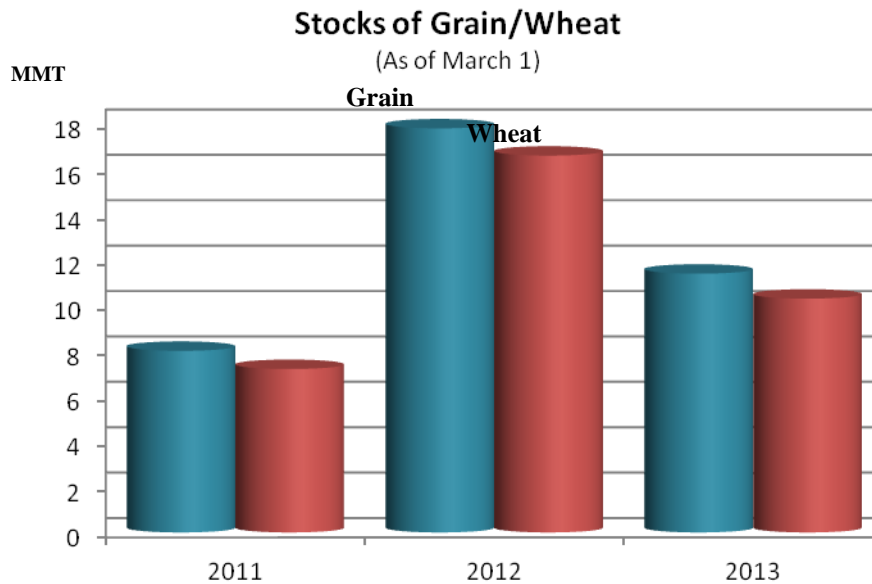
The Agricultural Program 2013-2020 calls for the development of infrastructure for improving grain exports. It calls for the construction of grain transfer facilities on Kazakhstan borders in order to allow for increased exports in various directions from Kazakhstan, especially in southern and western directions. It also calls for the capacity of the grain terminal at the port of Aktau to be increased in the period of 2015-2020. Finally, the Program stresses the importance and promise of China as a Kazakh destination market and as a transit country for markets in Southeast Asia. As a result it calls for a grain terminal to be built on the Chinese border.

Stocks:

Wheat Kazakhstan	2011/2012	2012/2013	2013/2014
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Grain stocks are far below last year's record levels, but still remain significantly higher than levels after the 2010 drought. As of March 1st, 2013 grain stocks were 11.4 MMT, compared to 17.8 MMT at the same date in 2012, and 8 MMT in 2011. For wheat, stocks were 10.3 MMT compared to 16.6 MMT in 2012 and 7.2 MMT in 2010.

The Agricultural Program 2013-2020 has increasing grain storage as a key priority, and calls for 700,000 tons of new storage capacity. Roughly 29 percent of this new capacity is planned to come online in 2013 and the other 71 percent in 2014.



Data Source: Kazakh Statistical Service

Prices: Prices in Kazakhstan have begun to fall on expectations of an improved 2013 crop and coinciding with falling Russian prices. From mid-January to the end of March, prices for 3rd class wheat at the Russian border fell by \$39/MT, from \$307 to \$268 per metric ton, with nearly all of this decline occurring in March. For barley, prices also fell \$39 per MT from \$308 per MT to \$269 per MT at the Caspian port of Aktau.

	Market Year Begin: Sep 2011		Market Year Begin: Sep 2012		Market Year Begin: Sep 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	13,686	13,686	12,400	12,400		13,300
Beginning Stocks	2,883	2,883	6,381	6,631		3,182
Production	22,732	22,732	9,841	9,841		15,000
MY Imports	10	10	10	10		10
TY Imports	6	6	10	10		10
TY Imp. from U.S.	0	0	0	0		0
Total Supply	25,625	25,625	16,232	16,482		18,192
MY Exports	11,844	11,394	6,500	6,500		7,500
TY Exports	11,069	10,619	6,500	6,500		7,500
Feed and Residual	2,600	2,600	2,000	2,000		2,400
FSI Consumption	4,800	5,000	4,800	4,800		4,800
Total Consumption	7,400	7,600	6,800	6,800		7,200
Ending Stocks	6,381	6,631	2,932	3,182		3,492
Total Distribution	25,625	25,625	16,232	16,482		18,192
1000 HA, 1000 MT, MT/HA						

Barley Kazakhstan	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,515	1,515	1,600	1,600		1,600
Beginning Stocks	124	124	194	194		139
Production	2,593	2,593	1,500	1,500		2,000
MY Imports	7	7	20	20		10
TY Imports	7	7	20	20		10
TY Imp. from U.S.	0	0	0	0		0
Total Supply	2,724	2,724	1,714	1,714		2,149
MY Exports	705	705	200	200		400
TY Exports	659	659	200	200		400
Feed and Residual	1,500	1,500	1,150	1,150		1,300
FSI Consumption	325	325	225	225		300
Total Consumption	1,825	1,825	1,375	1,375		1,600
Ending Stocks	194	194	139	139		149
Total Distribution	2,724	2,724	1,714	1,714		2,149
1000 HA, 1000 MT, MT/HA						