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Kazakhstan - Republic of

Grain and Feed Update

Kazakh Grain Production Drops, but Stocks Remain Large

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Report Highlights:
Kazakh grain exports have dropped sharply in recent months from record levels during the first half of 2012. Despite this slowdown, shipments are expected to pick up in subsequent months due to large stocks, less competition from other Black Sea suppliers, as well strong international demand.

Production

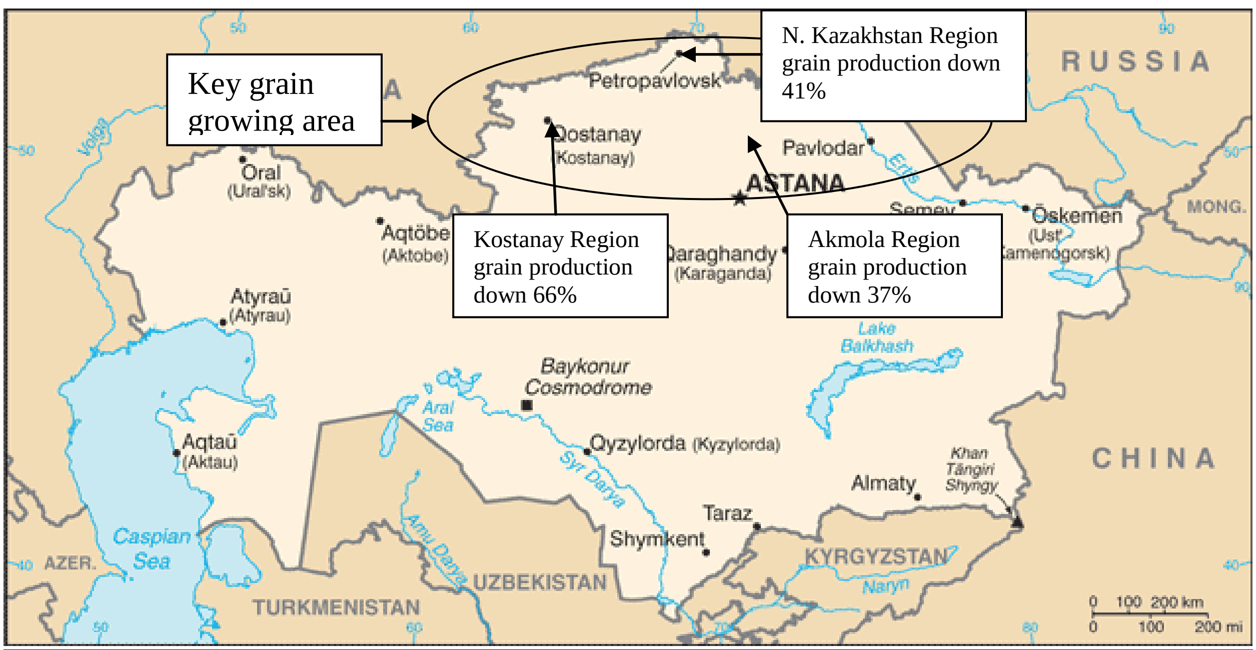
Kazakhstan's grain harvest this year is only half of last year's record, with the FAS/Astana estimate for wheat production at 10.5 million metric tons (MMT) in 2012, compared to 22.7 last year. Key northern wheat growing areas, especially Kostanay region, experienced continued dry weather and high temperatures throughout the growing season.

According to the Ministry of Agriculture of Kazakhstan, as of October 24th, Kazakh farmers harvested 14.648 MMT (bunker weight) of grain from 15.058 million hectares, which accounts for 99.9 percent of the total harvested area. Harvest is earlier this year because of the smaller crop and high temperatures. The average yield is reported at 0.97 tons per hectare far below the 1.76 from last year.

The Agriculture Ministry of Kazakhstan has forecasted the 2012 grain harvest had been at 14 million tons in bunker weight and 12 million tons in clean weight compared with nearly 29.7 million tons in 2011.

Despite the poor crop this year, the bumper harvest of 2011 and high prices for farmers have helped to somewhat mitigate the negative impact on farmers (especially compared to previous years of drought). In addition, the Kazakh government has promised to help farmers by extending their loans. For livestock farmers, the Government has provided support for purchasing feed.

Map of Key Grain Growing Areas



Data Source: Kazakhstan Ministry of Agriculture

Harvesting Data as of October 24, 2012

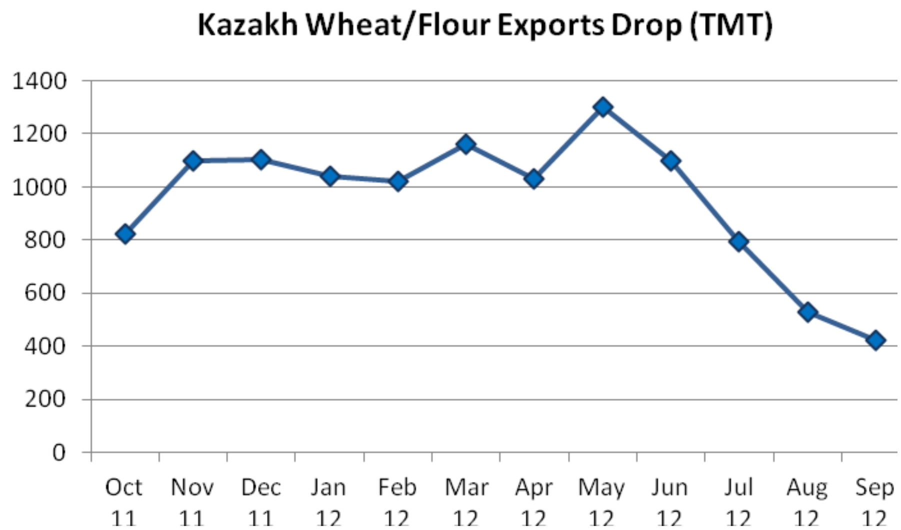
REGIONS	Sown area. 000 ha		Harvested area. 000 ha		Harvested. 000 ha				Harvested. 000 tons		Yield. 00 kg/ha	
	2011	2012	2011	2012	2011		2012		2011	2012	2011	2012
					000 ha	%	000 ha	%				
AKMOLA	4278.1	4344.0	4278.1	4117.9	3754.0	87.7	4117.9	100.0	5503.7	3453.7	14.7	8.4
AKTOBE	588.4	578.7	569.9	300.1	326.5	57.3	300.1	100.0	252.1	96.0	7.7	3.2
ALMATY	469.0	450.7	465.2	434.8	454.4	97.7	420.7	96.8	1110.5	977.5	24.4	23.2
EAST-KAZ	520.2	543.1	511.9	529.6	511.9	100.0	529.6	100.0	619.2	677.4	12.1	12.8
ZHAMBYL	233.9	239.2	227.1	212.1	226.5	99.7	209.5	98.7	393.2	226.7	17.4	10.8
WEST-KAZ	394.3	407.9	385.2	240.7	385.2	100.0	240.7	100.0	366.1	129.8	9.5	5.4
KARAGANDA	682.8	665.2	649.6	624.8	642.6	98.9	624.8	100.0	673.6	460.1	10.5	7.4
KOSTANAI	4303.0	4345.6	4301.8	4040.6	4285.7	99.6	4040.6	100.0	8264.2	2803.1	19.3	6.9
KYZYLORDA	86.8	84.0	86.8	83.9	86.8	100.0	83.9	100.0	379.0	368.0	43.7	43.9
PAVLODAR	536.5	559.4	525.1	468.1	480.6	91.5	468.1	100.0	397.7	249.2	8.3	5.3
NORTH-KAZ	3900.9	3838.0	3900.9	3838.0	3873.2	99.3	3838.0	100.0	8568.9	4951.0	22.1	12.9
SOUTH-KAZ	212.7	186.5	199.2	186.5	188.9	94.8	184.3	98.8	304.9	256.1	16.1	13.9
TOTAL:	16206.6	16242.3	16100.8	15077.1	15216.3	94.5	15058.1	99.9	26833.2	14648.5	17.6	9.7

Data Source: Kazakhstan Ministry of Agriculture

Trade

Kazakh grain exports in 2012/13 are expected to drop from last year's record volumes, with marketing year exports for wheat (Sept-Aug) forecast to fall to 7.5 MMT from 11.4 in 2011/12. The Ministry of Agriculture forecasts total grain exports at 8 MMT, while the Grain Union of Kazakhstan is currently forecasting exports from July 2012-June 2013 at 7 MMT. While Kazakh exports had been at record levels earlier in 2012, there was a dramatic drop off in shipments starting in June thru September, with September wheat (including flour) exports at less than a third of May volumes. Despite this dramatic slowdown, it is expected that shipments will begin to increase in subsequent months for a number of reasons. First, grain stocks in Kazakhstan are still large as a result of the bumper crops and huge stockpiles from 2011, and as a result despite lower production Kazakhstan still has considerable exportable supply. Second, key supplies in competitor countries, including other Black Sea suppliers, are very tight. Ukraine has discussed banning wheat exports, and Russia has largely sold out of their exportable supply due to a very strong export campaign in the beginning of the marketing year. As a result, reduced competition and strong international demand (including some import demand from Russia's Urals and Siberian regions which were hit by poor crops) should encourage stronger exports as the season progresses. Also, fewer Russian and Ukrainian supplies will also free up Black sea ports for Kazakh grain. Last, very high international prices should also encourage traders to export greater volumes. The Ministry of Agriculture of Kazakhstan has also stated its expectation that exports of

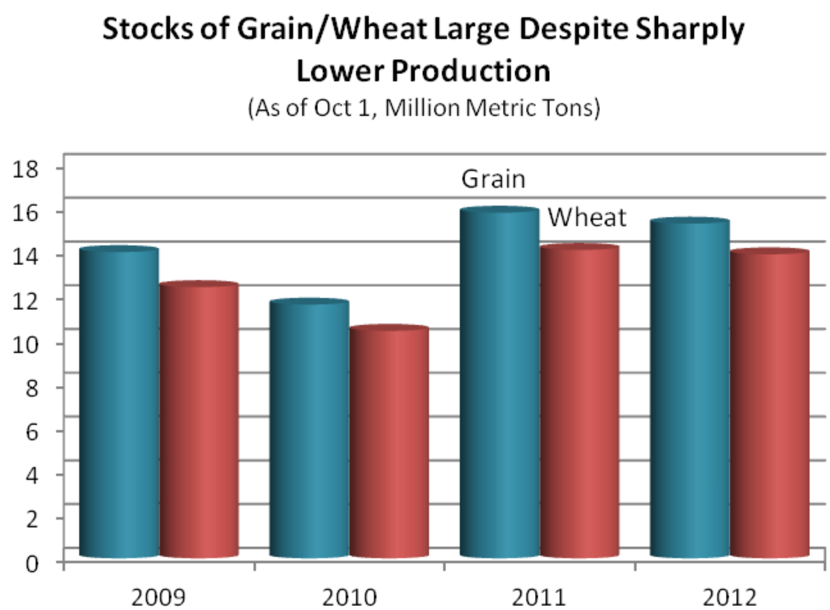
Kazakh grain into world markets will pick up in October and November as a result of the ending of the grain harvesting campaign.



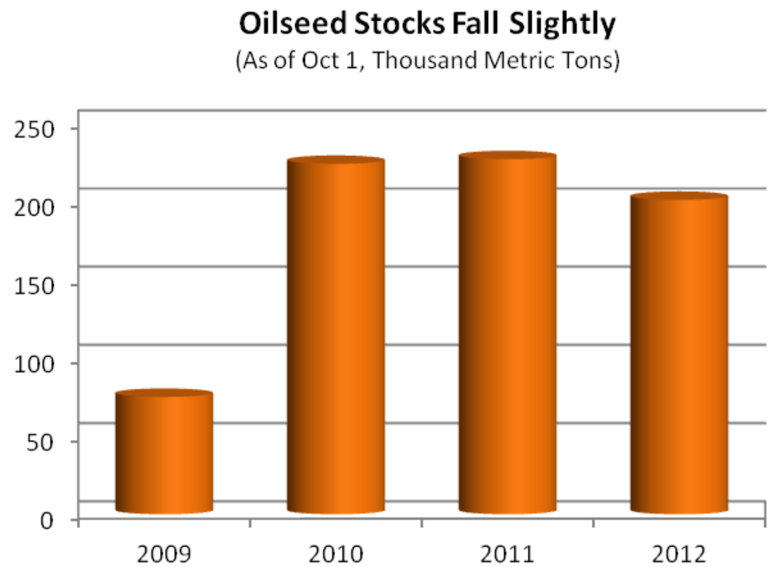
Data Source: Kazakh Customs and FAS/Astana estimate for September 2012

Stocks

According to the State Statistics Service, Kazakhstan grain stocks as of October 1, 2012 were at 15.3 MMT, including 13.9 MMT of wheat. These volumes are only slightly below last year's level at this time, and these large stocks are due to the record production of last year.



Data Source: Kazakh Statistical Service



Data Source: Kazakh Statistical Service

The Government of Kazakhstan is trying to continue to increase and modernize storage capacity in Kazakhstan. The Food Contracting Corporation JSC (Kazakh Government grain operator) has announced the construction of several grain terminals with a total capacity of 400,000 tons in various regions of Kazakhstan by 2015. The terminals will be located in the South Kazakhstan, North Kazakhstan, Aktobe and Mangistau regions. In 2010/2011 KazAgro commissioned 14 grain terminals with a total capacity of 313,000 tons and by the end of this year the company will open 5 grain terminals with a total capacity of 61,000 tons.

Prices

The price of domestic wheat in Kazakhstan has grown by 1.8 times in September compared to July to reach $280 per ton from $155 in July. This price growth is driven by the smaller domestic crop, and the sharp rise in international prices due to poor grain production in key global suppliers.

From the end of July to the end of September, prices for 3rd class wheat at the Russian border surged $121 in just 2 months, from $184 per MT to $305. For barley, prices increased $67 per MT from $238 to $305 at the Caspian port of Aktau

Bread prices are also rising in Kazakhstan. The Ministry of Agriculture circulated a memorandum with a price limit for retail bread sales. According to KazAgroMarketing bread retail prices ranged from 39 to 58 tenge ($0.26-0.39) per loaf. However, retail bread prices above the ceiling were reported in Akmola, Zhambyl and Mangistau regions at 3 tenge above the price limit ($0.02) and in East Kazakhstan and West Kazakhstan at 2 tenge above the price limit.

PSD

Wheat Kazakhstan	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Sep 2010		Market Year Begin: Sep 2011		Market Year Begin: Sep 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	14,262	14,500	13,849	13,849	13,500	13,500
Beginning Stocks	4,300	4,911	2,883	2,899	6,631	6,647
Production	9,638	9,700	22,732	22,732	10,500	10,500
MY Imports	7	7	10	10	10	10
TY Imports	7	7	6	6	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	13,945	14,618	25,625	25,641	17,141	17,157
MY Exports	4,862	5,519	11,394	11,394	7,000	7,500
TY Exports	5,519	5,519	10,619	10,619	7,000	7,500
Feed and Residual	1,900	1,900	2,600	2,600	2,200	2,000
FSI Consumption	4,300	4,300	5,000	5,000	4,800	4,600
Total Consumption	6,200	6,200	7,600	7,600	7,000	6,600
Ending Stocks	2,883	2,899	6,631	6,647	3,141	3,057
Total Distribution	13,945	14,618	25,625	25,641	17,141	17,157
1000 HA, 1000 MT, MT/HA						