

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

Food Corporation to Provide Poultry Farms Subsidized Feed Grain . . . Spring Sowing Financing Starts . . . Kazakhstan Creating Free Trade Zone with Vietnam . . . Retail Trade Expands in 2014 . . . KFC Extortion Hearing Started . . . Greenhouse Project in Kostanai Region Delayed . . . Wind Farm to be Launched in Akmola Region . . . Kazakhstan Ups Agricultural Output in 2014 . . . First Private Meteorological Station Opens in Taraz . . . Turkey from South Kazakhstan Recognized Best in CIS . . . World Bank Forecasts Steep Slowdown in Kazakhstan GDP Growth

General Information:

Welcome to the Kazakhstan Agricultural Update, a summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within Kazakhstan, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

Exchange Rate:

The National Bank of Kazakhstan exchange rate as of March 2, 2015: U.S. Dollar/185.05 Tenge.

GRAIN:

Food Corporation to Provide Poultry Farms Subsidized Feed Grain: According to the Union of Poultry Breeders, Kazakhstan's poultry farms will receive more than 215,000 tons of subsidized feed grain starting February 2015. The National Company Food Corporation, the state operator of grain purchases, signed an agreement to supply more than 60 farms with fodder grain from Northern Kazakhstan at the price of 37,500 tenge per ton. The Union of Poultry Breeders noted that the market price per ton at the time of signature was 40,000 to 42,000 tenge per ton. The Union estimates the 2015 – 2016 annual demand for grain forage from poultry farms at 573,000 tons of wheat, 58,000 tons of barley and 64,000 tons of corn.

Spring Sowing Financing Starts: The National Managing Holding KazAgro started accepting applications from farmers for financing of their 2015 sowing and harvest season. KazAgro expects their budget for these purposes to be at 60 billion tenge. JSC Food Contract Corporation started an application process to fund wheat forward procurement and JSC Agrarian Credit Corporation is also receiving applications for procurement of lubricants, fuel, spare parts for agricultural machinery, repair materials, fertilizers and other items required for planting and harvesting. In addition, the Agriculture Financial Support Fund is set to provide its own funds for the sowing and harvest season under program Eginzhai.

TRADE:

Kazakhstan Creating Free Trade Zone with Vietnam: Deputy Minister of National Economy, Timur Zhaksylykov, has said that Kazakhstan will create a free trade zone with Vietnam and the countries of the European Free Trade Association (EFTA). Hoping to complete the agreement in the first half of 2015, Kazakhstan is currently negotiating with the EFTA states on the matter. Reportedly, over 30 countries have expressed an interest to hold talks on the establishment of the free trade zone.

Retail Trade Expands in 2014: The volume of retail trade in 2014 grew by over twelve percent, year-on-year, to reach roughly 6.021 trillion according to the National Economy Ministry. During the reporting year, trade enterprises increased sales by over fifteen percent, year-on-year. The volume of

trade by individual sellers grew nearly nine percent. The total stock held by trade organizations stood at 324.8 billion tenge, as at January 1, 2015, enough to last for 44 trading days. Food products accounted for 34.9% of all trading volume in 2014, non-food products accounted for 65.1%. Retail sales of non-food products rose by 13.3% year-on-year, retail sales of foodstuffs grew by 10.1%.

OTHER:

KFC Extortion Hearing Started: A court in Astana has started hearing the case of the alleged blackmail attempt against the company KFC. The state prosecutor has leveled charges pursuant to the article “Specially Large-scale Extortion” of the Criminal Code. On October 23, 2014, the malefactor sent the KFC trademark owner an e-mail containing false information that he purchased food from a KFC facility in a shopping center in Astana which had larvae, claiming further that he had carried out laboratory tests. As part of his extortion plan, he demanded that 5 million tenge be paid to him. In response, on October 24, 2014, KFC representatives sent him a message saying they were ready to cooperate to settle the situation provided that he make available his passport and contact details, as well as copies of documents confirming the poor quality of the company's food. KFC representatives let him know that they were ready to meet him in Astana to discuss the issue of paying the amount in exchange for the specified documents. On December 11, 2014 the accused was caught attempting to take receipt of the money. KFC Corporation is the largest fast-food chicken operator, developer, and franchiser in the world and there are 20 fast food restaurants in Kazakhstan with more than 1,000 staff employed.

Greenhouse Project in Kostanai Region Delayed: Green Island Kazakhstan LLP has moved back the commissioning of the Lisakovsk greenhouse complex in the Kostanai region due to the volatility in the financial market. According to a company spokesman, "Initially, the cost of the project was estimated at 675 million tenge. The February devaluation inflated the price by 20%. . . The Bank has suspended financing, the second tranche. All equipment is bought in dollars and euros, so the project cost has climbed to 750 million." Reportedly, the greenhouse infrastructure has already been installed and most of the foundation work has been completed. Equipment deliveries are scheduled to begin in May, with the launch scheduled for the end of November or beginning of December 2015. The greenhouse was designed to grow cucumbers and tomatoes with a capacity of 300 tons of vegetables a year. Initially, the facility was planned to go into service in December 2014.

Wind Farm to be Launched in Akmola Region: The launch of a wind farm worth 17.7 billion tenge is planned for this May in the Ereymentau district of the Akmola region. Twenty of the twenty-two required wind farm turbines have already been installed. Moreover, the construction of a substation is nearing completion, with start-up and commissioning operations ongoing. The project is part of the preparatory activity aimed at supplying power to the international exhibition EXPO-2017 facilities. The wind farm capacity is designed to generate 45 MW with full design capacity reaching 300 MW in the future.

Kazakhstan Ups Agricultural Output in 2014: Kazakhstan raised agricultural output 0.8% in 2014 to 2.51 trillion tenge, according to the State Statistics Agency. Meat and dairy output rose 3.8% to 1.188 trillion tenge, while crop production fell 1.6% to 1.315 trillion tenge. The number of cattle in the Republic grew by 1% last year to 5.911 million. The number of goats decreased by 1.3% to 2.333 million and pigs by 8.8% to 840,800, while poultry grew 3% to 35.182 million, the number of horses

grew by 2% to 1.8819 million and sheep by 1.1% to 15.372 million.

First Private Meteorological Station Opens in Taraz: The first private meteorological station has been set up in Taraz, the administrative center of Zhambyl region, according to the press office of the Taraz State University. The station has modern equipment to measure all weather parameters, including ambient temperatures, humidity, atmospheric pressure, wind speed and directions, rates of solar and ultraviolet radiation, and sunset and sunrise timings. All the parameters are measured online by computer, posted on the website meteoperson.kz, and data is updated every 5-10 minutes. The Physics Department at the University plans to set up a network of private meteorological centers across Taraz and then in the towns of Karatau and Zhanatas in the same region. Data obtained from these centers would even allow scientists to predict earthquakes. Currently the majority of meteorological stations are operated by the national weather forecast agency, Kazgidromet, in Kazakhstan, although there are a few facilities working independently.

Turkey from South Kazakhstan Recognized Best in CIS: In a recent international contest held in the United States, turkey meat produced in South Kazakhstan at the Ordabasy Kus Company was recognized as best in the CIS. The foreign experts recognized the innovative production method and quality of the product. The turkey is fed with local high quality wheat, corn and soybeans, making the meat more tender and juicy. The Ordabasy Kus Company currently produces 10,000 tons of turkey meat per year and has plans to double its production.

World Bank Forecasts Steep Slowdown in Kazakhstan GDP Growth: The World Bank said in its January 2015 Global Economic Prospects review that Kazakhstan's GDP would grow 1.8% in 2015, while Kazakhstan's economy is expected to expand 3.2% in 2016 and 4.7% in 2017. In its June 2014 review, the World Bank forecast 5.9% growth of Kazakhstan's GDP in 2015 and 6% growth in 2016. The World Bank noted in its January 2015 review, "Among energy exporting CIS countries,...in particular, growth is expected to decelerate in Azerbaijan and Kazakhstan as oil prices remain soft and domestic oil production stagnates because of persistent production difficulties at key oil fields." The Kazakh government and the National Bank of Kazakhstan forecast 4 to 5% GDP growth in 2015. Last year, the Kazakh economy expanded 4.3%, according to estimates of the Ministry of National Economy.