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Country: Kazakhstan - Republic of

Post: Nur-Sultan (Astana)

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Report Highlights:

This report contains FAS-Nur-Sultan's production estimates for MY2021/22 and trade estimates for MY2022/23. Post forecasts no significant change to wheat planted area for MY2022/23. While the government announced agricultural credit and subsidy policies to increase production, grain producer contacts were pessimistic about the upcoming planting season, given last year's dry conditions and this winter's reduced snow cover in several grain producing regions. In response to civil unrest in January, the government announced new measures to protect domestic food security, boost producer incomes, and control domestic food inflation. Kazakhstani grain exports during MY2021/22 to China remained low due to pandemic-related transportation restrictions.

Policy Discussion

In January, President Tokayev announced the formation of a new cabinet due to civil unrest. Agriculture Minister Karashukejev [retained his position in the cabinet shakeup](#). While the initial cause of the unrest was related to rising consumer energy prices, citizens also cited rising food prices as a pressing concern. In [his first public speech to lawmakers](#) since the unrest, President Tokayev noted that “special attention should be paid to agriculture,” including mitigating the effects of last year’s drought on grain production, reforming agricultural subsidies, controlling the prices of agricultural inputs, and ensuring domestic food security.

In response to the government’s renewed focus on fighting corruption and lowering consumer prices, the Ministry of Agriculture announced measures to reform the country’s agricultural subsidy system. The Ministry stated its intention to reform the agricultural subsidy system several times in recent months, including an agreement with the [World Bank to provide technical assistance](#) in November 2021 to analyze Kazakhstan’s agricultural subsidy system and forming a working group of business, union, producer, and local official representatives [announced at the Ministry on December 9, 2021](#). After January’s civil unrest, the Ministry again reiterated its desire to reform agricultural subsidies.

While the government has not released policy details on the reforms, [one industry publication noted](#) the Ministry of Agriculture should be ready to release more information by the end of March 2022. Industry contacts noted subsidy reform was likely to include a concerted move toward digitalization. Digitalization is expected to increase transparency, public oversight, and improve the government’s ability to verify producer assets. Policy makers have admitted that the subsidy system could be more effective at fulfilling specific policy goals outlined in the government’s [recently approved Agricultural Development Plan 2021-2030](#). Some industry contacts expect the Ministry to shift subsidies away from production specific targets and toward credit, financing, insurance, and machinery investments.

Since January, the Ministry of Agriculture’s other focus has been to reduce rising food price inflation. In 2021, food price inflation reached nearly 10 percent compared to the prior year according to the National Bank of Kazakhstan. [In January, the government announced](#) it would have the Food Contracting Corporation (FCC) transport 275,000 tons of wheat to milling facilities at a reduced market price and provide 235,000 tons of animal feed grade grain to livestock farms. It reported the FCC purchased 930,000 tons of grain, including 880,000 tons of wheat in MY2020/21, of which 500,000 tons would be sent to the consumer market to stabilize prices. On January 18, the Prime Minister’s office released a meeting transcript and video of cabinet members discussing the development of “a set of measures to control inflation.” [Minister of Agriculture Karashukejev announced](#) a series of measures to control food price inflation including sunflower seed and sunflower oil export restrictions until July 1, 2022 and grain forage export restrictions for an undetermined time.

According to one news broadcast, only five grain exporters in 2021 volunteered to participate in the [Virtual Grain Warehouse pilot program](#). The government launched this program to increase grain

transaction transparency by rewarding participants with expedited value added tax reimbursements (for more details, see the FAS GAIN report, [KZ2021-0009 Kazakhstan Grain and Feed Report](#)). [Industry experts have noted](#) the need for a unified system of grain production and trade reporting.

To further reduce consumer food costs, the government noted it will pay greater attention to improving commodity rail transport costs and logistics. [The government announced](#) it would reduce cargo rail charges by between 80 and 90 percent, or from about \$5.00 per railcar to \$0.38, per kilometer. Given the long distances between grain producing regions and markets, this is expected to materially reduce the cost of transporting domestic grain. In addition, the grain rail transportation company Astyk Trans [announced](#) that it would not increase grain container rental costs through June 30, 2022 “to stabilize the cost of food.” Despite several reported engagements between Kazakhstani and Chinese officials during MY2021/22, Kazakhstani grain exports to China through the Altynkol-Khorgos and Dostyk-Alashankou railway stations remained low due to pandemic-related transportation restrictions.

General Planting Situation

On December 28, 2021, the [Ministry of Agriculture announced](#) the country’s planting strategy for MY 2022/23. The total planting area for all crops is expected to be 22.9 million hectares, an increase of 13,500 hectares from MY 2021/22. In MY 2021/22, the FCC contracted 769,300 tons of crops valued at \$93 million. For MY 2022/23, the FCC intends to increase its budget to procure crops on the domestic market to between \$139 and \$186 million.

Producers remained concerned the dry conditions of MY2021/22 would continue into MY 2022/23. [Producers in the Kostanay region noted](#) widespread pessimism about the upcoming planting season due to the small levels of snow and arid soil conditions that have persisted for four years. Water reserves from snow cover in the Kostanay region (Figure 1) were [reported](#) to be 30 to 40 percent lower than average, although the Akmola region’s water reserves from snow cover were about 25 percent above the historical average. Akmola regional producers reported snow levels on fields at 15 cm. Most farmers in the North-Kazakhstan region expected MY2022/23 to be “the same as the previous year or even worse,” according to one industry news publication. Some producers noted that they may choose to not plant in the spring if there is insufficient soil moisture. According to industry-led surveys, producers noted that wheat production costs for MY2021/22 reached an average of \$150 per ton, which they reported to be higher than average, due to cost increases for inputs averaging 30 to 50 percent.

Figure 1. Map of Kazakhstan with Regions



WHEAT

Production

FAS-Nur-Sultan estimates wheat production in MY 2021/22 at 11.8 million metric tons, an 18 percent decrease from MY2020/21 (14.2 MMT) due to hot and dry conditions throughout the growing season. On November 21, 2021, the Ministry of Agriculture [reported](#) the conclusion of the MY2021/22 harvest. The Ministry reported harvesting 16.4 million tons of all grains, with average yield 1.03 tons per hectare. The Ministry noted the improved quality for soft wheat of 1-3 class harvested at 90 percent, up from 81 percent in MY 2020/21. The higher protein content for soft wheat in MY2021/22 was reported at 60 percent. The Statistical Service reported the planted area for winter and spring wheat at 12.9 million hectares, area harvested at 12.7 million hectares, producing 11.8 million metric tons (MMT) in marketing year 2021/22 (Tables 1 and 2).

Table 1. Main Crop Area Planted and Harvested

Crop	Area planted, ha		Area harvested, ha	
	MY21/22	MY21/22 to MY20/21, %	MY21/22	MY21/22 to MY20/21, %
WHEAT winter and spring	12,932,571	106	12,719,434	105
CORN	189,341	115	188,703	116
BARLEY winter and spring	2,222,122	80	2,157,478	79
RYE winter and spring	46,215	191	43,875	184
OAT	208,174	87	201,972	88

SORGHUM	10,860	116	9,058	116
MILLET	41,028	77	38,158	76
BUCKWHEAT	97,752	170	87,095	158
RICE	96,853	93	96,634	94
OILSEEDS	3,102,377	107	2,927,983	109
TOBACCO	334	94	334	94
COTTON	109,971	87	109,971	87

Source: [Kazakhstani Statistical Service Final Report, Jan 31, 2022](#)

Table 2. Main Crop Production

Crop	Production, tons		Yield, ton/ha	
	MY21/22	MY21/22 to MY20/21, %	MY21/22	MY21/22 to MY20/21, %
WHEAT winter and spring	11,814,124	83	99	79
CORN	1,129,508	118	6.01	102
BARLEY winter and spring	2,366,805	65	1.16	82
RYE winter and spring	39,775	133	1.05	80
OAT	182,279	76	0.97	87
SORGHUM	4,524	109	0.52	93
MILLET	35,825	90	1.03	121
BUCKWHEAT	78,049	195	0.98	123
RICE	503,771	90	5.71	95
OILSEEDS	2,430,092	95	-	-
TOBACCO	1,138	97	-	-
COTTON	290,380	89	-	-

Source: [Kazakhstani Statistical Service Final Report, Jan 31, 2022](#)

Consumption and Stocks

FAS-Nur-Sultan estimates wheat consumption for MY2021/22 at 4.8 MMT, flat from MY2020/21 (Table 3).

Trade

FAS-Nur-Sultan estimates MY 2021/22 wheat exports at 7.4 MMT, on par with USDA's official estimate. On March 10, Russia's Ministry of Economic Development announced it would suspend exports of wheat and other grains to Eurasian Economic Union (EAEU) members, which would include Kazakhstan, until August 31, 2022. However, given the temporary nature of the order, relative weakness of the Russian ruble compared to the Kazakhstani tenge, historic underreporting of Russian grain imports into Kazakhstan, and the fact that the order allowed for already contracted exports to proceed, FAS-Nur-Sultan made no changes to the MY2022/23 import estimate of 1.4 MMT.

On January 14, 2022, the FCC [announced the procurement](#) of soft and durum wheat, barley, oats, buckwheat, sunflower, flaxseed, rapeseed, soybeans, and corn. It reported allocating \$184 million to

procure these crops. As of January 31, 2022, producers submitted 162 applications for \$93 million or half of allocated budget.

Table 3. Wheat Production, Supply, and Distribution, February 2022 Estimate

Wheat Market Begin Year	2020/2021		2021/2022		2022/2023	
	Sep 2020		Sep 2021		Sep 2022	
Kazakhstan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12057	12700	12719	12719	0	12700
Beginning Stocks	663	663	1475	1475	0	1225
Production	14256	14256	11814	11800	0	11800
MY Imports	1000	1000	1400	1400	0	1400
TY Imports	1000	1000	1400	1400	0	1400
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	15919	15919	14689	14675	0	14425
MY Exports	8194	8194	7400	7400	0	7400
TY Exports	8128	8128	7400	7400	0	7400
Feed and Residual	1450	1450	1250	1250	0	1250
FSI Consumption	4800	4800	4800	4800	0	4800
Total Consumption	6250	6250	6050	6050	0	6050
Ending Stocks	1475	1475	1239	1225	0	975
Total Distribution	15919	15919	14689	14675	0	14425
Yield	1.1824	1.1225	0.9288	0.9277	0	0.9291
Figures in 1000 Hectares (HA) and 1000 Metric Tons (MT)						

Shipping Restrictions at the Chinese Border Continue to Challenge Grain Exporters

China had largely restricted grain exports via rail from Kazakhstan since October 2021, due to pandemic-related restrictions. In January 2022, China reportedly reopened limited grain imports from Russia and Kazakhstan. Kazakhstani officials continued to engage with Chinese counterparts in MY2021/22 to increase the volume of train and truck traffic at the two border crossings. According to the State Revenue Committee, in January 2022 more than 12,500 trucks remained in the electronic queue to cross the Chinese border. In January, the finance minister visited the border to gather information and dismiss the port directors of Dostyk and Altyntkol railway stations, however grain exports through these ports continue to be limited.

Exports to Central Asia Affected by Uncertainty in Afghanistan

Wheat flour exports decreased 21 percent, mainly due to reduced exports to Afghanistan. Wheat flour exports to Turkmenistan tripled from 5,184 tons to 18,589 tons year-over-year since the beginning of MY2021/22. Contacts noted that Turkmenistan’s lower wheat production in MY2021/22 resulted in greater imports from Kazakhstan. Uzbekistan continued to be the top importer of Kazakhstani wheat.

Since the beginning of MY 2021/22, Uzbekistan imported 860,602 metric tons of wheat, followed by Afghanistan with 380,678 metric tons, and Turkmenistan imported 139,977 metric tons. Contacts noted that buyers in Turkmenistan are likely also re-exporting Kazakhstani wheat to Afghanistan (Appendix 2). Kazakhstani traders reported hoping to export to Iran, however they reported that Iranian buyers preferred European and Russian wheat.

Imports from Russia Higher than Expected

[Grain market experts estimated](#) that grain imports from Russia in MY 2021/22 reached 1.4 MMT.

[Market experts noted](#) that wheat imports from Russia helped stabilize Kazakhstani prices and balance the domestic market. They also noted that domestic millers and poultry farmers purchased Russian grain for animal feed. Grain traders expected that underreported wheat imports from Russia would continue due to favorable domestic prices and steady demand.

BARLEY

Production

FAS-Nur-Sultan estimates barley production in MY 2021/22 at 2.367 MMT, a decrease of 35 percent or 1.292 MMT from the prior year, in line with USDA's official estimates (Table 4). The Statistical Service reported the planted area for winter and spring barley at 2.22 million hectares, area harvested at 2.16 million hectares, producing 2.367 MMT in MY2021/22 (Tables 1 and 2).

Consumption and Stocks

In Kazakhstan, barley is mainly used in livestock and poultry feed. Barley consumption for feed is estimated at 1.8 MMT in MY 2021/22, as livestock herd increases were limited due to dry conditions across the central and southern livestock production areas in MY 2021/22.

Trade

In MY 2021/2022, barley exports are forecasted at 0.7 MMT, on par with the USDA official estimate. Uzbekistan was the top barley importer at 56,320 tons, pushing Iran to second place with 34,820 tons (Appendix 2). The poor harvest in MY 2020/21 reduced exports to Iran. Traders explained that Iranian importers switched to Russian barley in MY2021/22 but would welcome Kazakhstani barley if volume improved and prices were favorable in MY2022/23. Traders expected exports to China would decrease due to pandemic-related transportation restrictions in MY2022/23.

In line with FAS-Nur-Sultan's import estimates for wheat, Post has made no changes to import estimates in MY2022/23 of 100,000 MT, given Russia's March 10 of wheat and other grains export restrictions to Eurasian Economic Union (EAEU) members until August 31, 2022.

Table 4. Kazakhstan Barley Production, Supply, and Distribution, February 2022

Barley Market Begin Year Kazakhstan	2020/2021		2021/2022		2022/2023	
	Jul 2021		Jul 2022		Jul 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2729	2700	2157	2157	0	2157
Beginning Stocks	505	505	612	612	0	279
Production	3659	3659	2367	2367	0	2400
MY Imports	83	83	50	100	0	100
TY Imports	82	82	50	100	0	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4247	4247	3029	3079	0	2779
MY Exports	1085	1085	700	700	0	600
TY Exports	1028	1028	700	700	0	600
Feed and Residual	2200	2200	1800	1800	0	1700
FSI Consumption	350	350	300	300	0	300
Total Consumption	2550	2550	2100	2100	0	2000
Ending Stocks	612	612	229	279	0	179
Total Distribution	4247	4247	3029	3079	0	2779
Yield	1.3408	1.3552	1.0974	1.0974	0	1.1127
Figures in 1000 Hectares (HA) and 1000 Metric Tons (MT)						

Appendix 1. Kazakhstan Wheat Exports to the World

Kazakhstan Exports to _World					
Product Group: PSD-Wheat;					
Monthly Series					
Partner Country	Unit	Monthly Series (UOM1: T)			Sum
		09/21	10/21	11/21	
World	T	548 714	707 888	737 168	1 993 770
Uzbekistan	T	212 078	343 910	304 614	860 602
Afghanistan	T	71 411	132 944	176 323	380 678
Tajikistan	T	115 257	117 619	92 186	325 062
Turkmenistan	T	38 000	31 292	70 685	139 977
Italy	T	9 235	13 610	51 010	73 855
Iran	T	79 177	46 635	15 311	141 123
Russia	T	7 414	9 776	10 745	27 935
Azerbaijan	T	3 105	2 330	10 703	16 138
Turkey	T	110	5 880	2 203	8 193
Kyrgyzstan	T	1 946	3 638	1 270	6 854
China	T	5 341	0	1 066	6 407
Poland	T	0	0	609	609
Georgia	T	39	99	153	291
Moldova	T	0	68	136	204
Belarus	T	30	43	60	133
Mongolia	T	0	44	55	99
Iraq	T	0	0	27	27
Armenia	T	20	0	12	32
Belgium	T	0	0	0	0
Greece	T	0	0	0	0
Switzerland	T	0	0	0	0
Latvia	T	1 551	0	0	1 551
Japan	T	0	0	0	0
United Kingdom	T	4 000	0	0	4 000

Source: Trade Data Monitor, LLC.

Appendix 2. Kazakhstan Barley Exports to the World

Kazakhstan Exports to _World							
Product Group: PSD-Barley;							
Monthly Series							
Partner Country	Unit	Monthly Series (UOM1: T)					Sum
		07/21	08/21	09/21	10/21	11/21	
_World	T	23 762	18 939	30 570	20 948	36 923	131 142
Uzbekistan	T	4 184	6 453	7 416	10 310	27 957	56 320
Iran	T	9 799	280	16 537	4 820	3 384	34 820
China	T	1 885	4 865	3 837	0	2 507	13 094
Tajikistan	T	5 849	6 371	2 644	4 306	1 966	21 136
Turkmenistan	T	0	0	0	0	490	490
Afghanistan	T	1 418	847	136	0	339	2 740
Kyrgyzstan	T	209	124	0	1 512	280	2 125
Syria	T	0	0	0	0	0	0
United Kingdom	T	0	0	0	0	0	0
Turkey	T	418	0	0	0	0	418

Source: Trade Data Monitor, LLC.

Attachments:

No Attachments