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Kazakhstan, Republic of

Grain and Feed

Wheat Update

2003

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Report Highlights:

Kazakhstan's wheat production in 2003 is expected to remain unchanged from the previous year. At the same time, exports will increase by one million tons over MY 2002/03 with higher demand from Russia, Ukraine and other neighboring countries.

As a result, the government of Kazakhstan may impose export quotas in order to ensure sufficient wheat for the Kazakh market and prevent disruptive price increases.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Ankara [TU1], KZ

Summary

Kazakhstan's wheat production in 2003 is expected to remain unchanged from the previous year. At the same time, exports will increase by one million tons over MY 2002/03 with higher demand from Russia, Ukraine and other neighboring countries. As a result, the government of Kazakhstan may impose wheat quotas in order to ensure sufficient wheat for the Kazakh market and prevent disruptive price increases. Ukraine suffered significant economic and political problems in Ukraine due to a similar situation last year.

Production

Official reports indicate that Kazakhstan harvested approximately 12.0 MMT during 2003, virtually unchanged from 2002. Despite the cold spring and wet summer, grain quality is considered to be better than the previous year. Specialists estimate that 75 percent of the crop is graded as Class 3 with gluten content of more than 26 percent.

Consumption

Consumption estimates for MY2002/03 were increased due to higher than anticipated consumption in southern regions. Specialists assume that higher consumption is partly caused by higher demand and prices for wheat products in Kyrgyzstan and Uzbekistan. Kazakhstan has a relatively open border with these countries and Uzbek and Kyrgyz citizens can purchase wheat products in Kazakh retail stores and cross the border without any records by the customs. The domestic consumption forecast for MY2003/04 has also been increased to 6.5 MMT due to higher wheat prices in Russia, Kyrgyzstan and Uzbekistan. According to the State Agency of Statistics, wheat and products consumption in July-September 2003 reached 1.5 MMT. That is 500,000 MT higher than for the same period last year. Consumption significantly increased in East-Kazakhstan, Pavlodar, North Kazakhstan and Jambul regions, which are the border regions with Russia and Kyrgyzstan.

Policy

The State Food Contract Corporation (SFCC) is responsible for all GOK grain policy. Established in 1995, the SFCC is responsible for maintaining state wheat reserves that are estimated at 500,000 MT. SFCC pays farmers for wheat in advance of the harvest. Part of the payment is made in spring to allow farmers to purchase inputs and the rest of the payment is made prior to the harvest. The SFCC takes payment in grain after the harvest.

Since 2001, the SFCC began purchasing grain. About 500,000 is being used for rotation of state reserves and an additional 1.0 MMT is purchased for commercial exports under bilateral agreements (with Iran, Jordan, Tunisia etc). The SFCC receives budget money for purchasing grain for state reserves. On the other hand, SFCC uses commercial bank loans for the purchasing grain for commercial export.

In MY 2003/04, the SFCC planned to purchase wheat from Kazakh farmers at \$80/MT. However, due to unexpected demand in Ukraine and Russia, the SFCC was forced to increase its purchase price to \$125-\$130/MT. As of December 1, 2003, the SFCC had purchased 1.5 MMT of wheat.

One million tons will be held in reserve to sell on the domestic market to keep local prices from increasing significantly. The Minister of Agriculture has also indicated that the GOK may implement some additional measures. Some specialists expect that the GOK may impose export quotas for wheat. These quotas would limit exports of wheat to 350-400 TMT per month. The quotas would be allocated among exporters on a monthly basis.

Trade

MY 2003/04 wheat exports are expected to reach 6.5 million tons, which is more than 50 percent of total wheat production. Demand from Ukraine, Russia and other neighboring countries is driving this demand. Due to low transportation costs, we expect 80-85 percent of wheat exports to be shipped to Russia, Ukraine, Azerbaijan and other CIS countries. Small shipments are also expected to Europe, Iran and the Middle East.

Prices

Export prices for Class 3 wheat have increased from \$93/MT in July 2003 to \$130/MT in October 2003. Experts expect a further increase to \$150/MT due to the expected imposition of export quotas in January.

PSD Table						
Country:	Kazakhstan, Republic of					
Commodity:	Wheat					
		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	10700	10700	11500	11500	11500	11500
Beginning Stocks	1450	1450	5200	5200	6655	5315
Production	12700	12700	12600	12600	12000	12000
TOTAL Mkt. Yr. Imports	15	15	25	15	15	15
Jul-Jun Imports	15	15	25	15	15	15
Jul-Jun Import U.S.	2	0	3	0	0	0
TOTAL SUPPLY	14165	14165	17825	17815	18670	17330
TOTAL Mkt. Yr. Exports	3780	3780	5505	6500	6500	6500
Jul-Jun Exports	3780	3780	5505	6500	6500	6500
Feed Dom. Consumption	1500	1500	1800	1800	2000	2000
TOTAL Dom. Consumption	5185	5185	5665	6000	6100	6500
Ending Stocks	5200	5200	6655	5315	6070	4330
TOTAL DISTRIBUTION	14165	14165	17825	17815	18670	17330