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Report Name: Ag Ministry Outlines Support Programs for 2020

Country: Kazakhstan - Republic of

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Prepared By: FAS Staff

Approved By: Timothy Harrison

Report Highlights:

The Ministry of Agriculture announced the broad outlines of their plans for agricultural programs in 2020. Most major programs will continue, with the exception of the specific subsidy for eggs.

Kazakhstan continues to prioritize modernization of its ag sector through preferential loans to farmers and ranchers.

General Information

On February 21, Kazakhstan’s Ministry of Agriculture held its annual strategy meeting, with departments and sub-agencies reporting on their 2019 results and plans for 2020. Updates included the publication of full-year grain production numbers, announcements regarding subsidies and government-supported financing programs, and establishment of ministry priorities. This report summarizes some of the key reports from that meeting.

Egg Subsidy Cancelled

One major announcement at the meeting was the cancellation of the long-standing subsidy for egg production. The ministry explained that the subsidy is no longer needed due to the successful growth of the sector in recent years. In particular, the Ministry of Agriculture issued a press release highlighting that Kazakhstan turned from a net importer to a net exporter of eggs since the subsidies started in 2010.¹ The subsidy rate was as follows:

Type of subsidy	Rate in Kazakhstani Tenge	Rate in USD
Egg production from 200 million eggs	3 tenge/egg	0.0079 USD/egg
Egg production from 150 million eggs	2.7 tenge/egg	0.0071 USD/egg
Egg production from 100 million eggs	2.5 tenge/egg	0.0066 USD/egg
Egg production from 50 million eggs	2.2 tenge/egg	0.0058 USD/egg
Egg production from 20 million eggs	2 tenge/egg	0.0053 USD/egg
Purchase of day chicks	400 tenge/chick	1.06 USD/chick

The annual cost of the subsidy was approximately 75 billion tenge (\$197.4 million) over ten years. The ministry highlighted that the subsidy enabled egg producers to upgrade their equipment though subsidized loans and subsidized investments.

According to the Agricultural Development Program approved in 2018, existing specific commodity subsidies will be gradually phased out. For instance, livestock production subsidies are scheduled to be eliminated in 2020. However, the end of direct production subsidies does not mean a total end to government support. Egg producers will continue to enjoy subsidized loans and investment subsidies. At the same time, the Ministry of Agriculture expects that egg producers will continue development of the sector and will diversify their production (e.g., egg powder, egg protein, mélange, fermented yolk, egg powder mixes) and export markets.

Post Comment: As of this writing, the Kazakhstani government has not yet issued regulations on operation and funding of farm programs in 2020. Therefore, status of specific commodity subsidies for livestock products besides eggs is not officially announced. Specific per hectare subsidies for

¹ See <https://moa.gov.kz/ru/post/701>. The figures cited in this release appear to have some errors, so they have been omitted.

field crops were phased out in 2016, and subsidies per metric ton of oilseeds were eliminated in 2018.

Record Ag Loans Issued in 2019...

KazAgro, a financial institution under the Ministry of Agriculture, highlighted its efforts to provide affordable financing to farmers and ag companies.

KazAgro noted that in the last three years, the banking sector sharply decreased funding to the agricultural sector from 140 (\$368 million) to 89 billion tenge (\$234 million). However, KazAgro increased its ag loan portfolio during the last three years. In 2019, the loan portfolio of KazAgro hit a record of 449 billion tenge (\$1.1 billion), which is almost two times higher than in 2017. In 2018, the portfolio was 385 billion tenge (\$1 billion), while in 2017 it was 246 billion tenge (\$647 million). The largest portion of the portfolio is for crop production (52 percent), followed by livestock (35 percent), food processing sector (8 percent), and other sectors (five percent).

However, KazAgro also had significant debt on its balance sheets, which they attributed mainly to currency exchange rates and the default of commercial banks. KazAgro noted that it was able to decrease its debt from 117 (\$307 million) to 9 billion tenge (\$23.6 million) during the year.

In 2019, KazAgro financed the following projects:

- Purchase of 170,000 head of cattle and 545 head of small livestock (sheep and goats);
- Ten dairy operations;
- Two poultry farms with 36 tons of broiler meat production;
- Ten orchards and 11 greenhouses, including 5 greenhouses with irrigation;
- Ten projects on food processing;
- Inputs for four million hectares for planting;
- Financial leasing for 5,900 units of agricultural machinery.

In 2019, KazAgro's reported a total of 77,000 clients. The lion's share (86 percent) of KazAgro's loans are long-term loans, with average loan amount of 18 million tenge (\$47,000) per client.

... And Strong Financing Pledged for 2020

In 2020, KazAgro plans to provide financing 391 billion tenge (\$1 billion) for the following sectors:

- Beef cattle – 38.3 billion tenge (\$100 million)
- Dairy farming – 14.7 billion tenge (\$38 million)
- Poultry – 10 billion tenge (\$26 million)
- Orchards – 5.7 billion tenge (\$15 million)
- Greenhouses – 44.2 billion tenge (\$116 million)
- Food processing – 6.2 billion tenge (\$16 million)
- Funding spring planting operations – 70 billion tenge (\$184 million)

- Funding credit unions and microfinance organizations – 28.6 billion tenge (\$75 million)
- Agricultural machinery leasing – 82 billion tenge (\$215 million)
- Direct microfinancing – 66.3 billion tenge (\$174 million)
- Working capital loans – 25 billion tenge (\$65 million).

This funding level will facilitate the purchase of 156,000 head of cattle and 160,000 head of small livestock (sheep and goats), the establishment of 9 dairy farms with 46,000 tons of milk production, and expanded facilities for production of 30,000 tons of poultry meat. Additionally, it will help to establish 400 hectares of orchards, introduce 1,500 hectares of irrigated lands, construct 40 hectares of greenhouses, process 120,000 tons of products, fund spring planting operations on 3 million hectares, and provide 4,500 units of agricultural machinery.

Investment Subsidies Continue

An investment subsidy is given to agricultural producers to defray their investment costs (for instance, to purchase new ag machinery) up to 25 percent. Since its establishment in 2015, the Ministry of Agriculture supported 22,900 clients.

The total budget of the investment subsidy in 2019 reached 107.6 billion tenge (\$283 million), which is double the 2018 total (48 billion tenge/\$126 million). A majority of subsidies (54 percent) were spent on agricultural machinery purchases.

Similarly, the ministry uses subsidized loans that cover up to ten percent of the interest rate as another instrument to support farmers. Under this program, farmers pay the remaining five or six percent interest on the commercial loans. This support mainly covers purchases of ag machinery, livestock, construction, and equipment.

Government Steps Up Campaign to Bring Unutilized Land into Production

As part of its effort to increase agricultural production, the Government of Kazakhstan has prioritized the withdrawal of rights for leaseholders on uncultivated agricultural land, in order to allocate that land to leaseholders that will put it into production. Most agricultural land is owned by the government and leased to farmers under long-term agreements. Annual lease costs are very low, leaving little incentive for leaseholders to give up their rights even if they are not actively farming the land.

Croplands

A pilot project between the Kazakhstani Ministry of Agriculture and Kazakhstani Space Agency “KazGaryshSapary” helped to monitor the use of land resources in Akmola and North-Kazakhstan regions in 2019. This project helped to detect 289,200 hectares of unused land, and 133,600

hectares of unrecorded and “self-captured” areas² in Akmola region. Similarly, in North Kazakhstan region it detected 284,300 hectares of unused land and 88,700 hectares of unrecorded and self-captured areas.

As a result of this inventory, regional governments will legalize unrecorded areas, and will pursue court cases to withdraw leases for unused or self-captured areas. In 2020, the Ministry of Agriculture will be continuing land resource inventories in all other regions of Kazakhstan.

Rangelands

In 2019, the Ministry of Agriculture conducted rangeland inventory to check if all agricultural farms and rural population have access to rangeland. The inventory showed that in almost all regions rural villages experience a deficit of rangeland. At the same time, farms have been assigned 72.4 million hectares of rangeland, and almost half is not used for cattle grazing. As a result of administrative actions by regional authorities, 1.8 million hectares of rangeland were withdrawn from leaseholders.

In addition to the abovementioned land resources inventories, in 2019 the Land Resources Committee under the Ministry of Agriculture withdrew 1.2 million hectares of unused land, which includes 37,000 hectares of arable land and 1.1 million hectares of rangeland. The withdrawn land will be redistributed among farmers and will be put into production.

Attachments:

No Attachments.

² “Self-captured” areas are lands that are in use by a person or entity that has not actually been granted the rights to that land.