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Report Highlights:

Despite COVID-19's impact on the economy, Kazakhstan continues to present opportunities for U.S. exporters. An upper middle-income country with a population of approximately 18.9 million, Kazakhstan is an important logistical hub and trendsetter in Central Asia. As the pandemic has changed consumers' purchasing habits, U.S. exporters may find new opportunities and challenges in the growing e-commerce sector. Healthy foods, unique prepackaged products, ingredients, and inputs for the agricultural sector all remain attractive prospects for the Kazakhstani market. This report has been updated with new logistical information on cost-effective shipping routes from the United States to Kazakhstan.

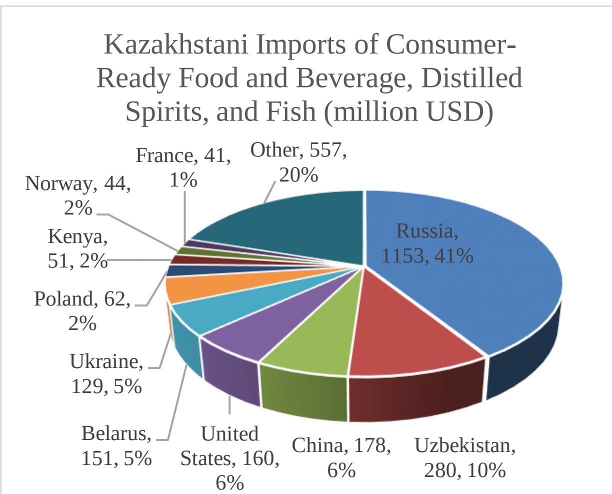
Market Fact Sheet: Kazakhstan

Executive Summary

Kazakhstan is an upper middle-income country and a leader in Central Asia. In 2019, Kazakhstan's GDP reached $170.3 billion, positioning the country as the world's 57th largest economy. The 9th largest country by area, Kazakhstan is strategically located between Russia and China. It is an important logistical hub for the Central Asia region, despite its landlocked status. Kazakhstan is a major grain producer with a growing livestock sector, but the country imports many consumer-oriented products for its population of 19.1 million.

Imports of Consumer-Oriented Products

Kazakhstan imported over $2.7 billion in consumer-oriented food and agricultural products, distilled spirits, and seafood in 2018. The United States supplied $123 million of that total, making it the fifth largest supplier of these products.



Food Processing Industry

Kazakhstan's food processing sector is relatively small, due in part to the country's small population. Confectionery and meat processing probably offer the greatest opportunities for U.S. ingredient suppliers on the national level, though regional food manufacturers may also be interested in smaller quantities of U.S. inputs.

Food Retail Industry

The grocery retail sector was valued at 4.9 trillion KZT (14.2 billion USD) in 2018. Traditional retail continues account for a majority of purchases, but is declining. The traditional retail sector is highly fractured. However, modern retailers, including supermarkets, are growing strongly in Kazakhstan and likely present a better opportunity for U.S. exporters. Several national chains exist, with a growing gourmet segment as well.

Quick Facts CY 2020

Imports of Consumer-Oriented Products *$2.6 billion*

List of Top 10 Growth Products in Host Country*

1) Pork & Products	2) Spices
3) Beef & Products	4) Tree Nuts
5) Processed Vegetables	6) Condiments and Sauces
7) Eggs & Products	8) Non-Alcoholic Beverages
9) Fruit and Vegetable Juices	10) Fish Products

** These BICO categories showed the highest import growth in the 12 months ending October 2020.*

Top Host Country Retailers

Magnum – 87 outlets in 9 cities
Small – 85 outlets in 13 cities
Metro – 8 outlets in 8 cities
Anvar – 37 outlets in 7 cities

GDP/Population

Population *(million)*: 18.9
GDP *(billion USD)*: $165.7 (nominal)
GDP per capita *(USD)*: $26,590 (purchasing power parity)

Sources:
Trade Data Monitor, International Monetary Fund

Strengths/Weaknesses/Opportunities/Challenges

Strengths	***Weaknesses***
U.S. producers are world leaders in healthy food options, a growing category in Kazakhstan. U.S. company transparency and expertise is an important differentiator.	*Long distances and Kazakhstan's landlocked nature increase shipping costs and risks. U.S. exporters are not familiar with Kazakhstan.*
Opportunities	***Threats***
Kazakhstani consumers view the United States positively and are interested in U.S. culture. Kazakhstan's tradition of hospitality encourages consumers to seek out new products to offer guests.	*Kazakhstanis are generally unaware of U.S. products and brands, and some view U.S. products as unhealthy. Certain types of products may face restrictions when transshipped through third countries.*

Data and Information Sources:
Trade Data Monitor, Euromonitor, CIA World Factbook, IMF

SECTION I. – MARKET OVERVIEW

Despite the impacts of COVID-19 on the economy, Kazakhstan remains an attractive market for certain U.S. goods. Classified as an upper middle-income country by the World Bank, Kazakhstan boasts a population of 18.9 million, vast hydrocarbon and mineral resources, and expansive territory. Kazakhstan also enjoys relative political and economic stability. Supported by oil exports, GDP per capita reached $26,590 on a purchasing power parity basis in 2019.

Marketing U.S. products in Kazakhstan is not without challenges. It is the world's ninth largest country by area, with a relatively disperse population that is 40 percent rural. Kazakhstan is also a major agricultural producer, particularly of wheat, barley, and increasingly, livestock products. Agriculture accounts for 4.7 percent of GDP and 18.1 percent of labor force. The government is eager to diversity the economy, but much of the country's wealth remains concentrated in the oil and mineral extraction sectors. Bureaucracy and government intervention in the economy can also temper opportunities in the country.

The largest concentrations of potential consumers of U.S. products lie in Kazakhstan's major cities, including business center Almaty (1.86 million), capital Nur-Sultan (1.1 million), and southern hub Shymkent (1.0 million). While ethnic Kazakhs make up a majority of the population, Kazakhstan also has sizable Russian, Uzbek, and German minorities, among many others. A growing middle class is demanding more variety and quality in food and beverage offerings. These factors, as well as interest in other countries and culture of hospitality, are a favorable basis on which to expand exports of U.S. food and agricultural products.

Advantages	Challenges
Kazakhstan is dependent on imported food products.	Russian, Chinese, Central Asian, and European suppliers have significant transportation advantages over U.S. exporters.
The United States enjoys a positive image.	Kazakhstani consumers have limited knowledge of U.S. brands and food products.
Kazakhstan is a trendsetter and logistical hub for other Central Asian countries.	Kazakhstan is seeking to expand its own agricultural production, including of process and value-added products.
There is a growing middle class, especially in the country's largest cities.	Population is dispersed across the world's ninth largest country.
Interest in foreign products and a culture of hospitality create a favorable market for food products at a wide range of prices.	Importers often prefer to buy relatively small volumes of new products.

SECTION II. – EXPORTER BUSINESS TIPS

General Consumer Tastes and Trends

Meat plays an important role in the Kazakhstani diet. In addition to the traditional horse meat, beef, mutton, and poultry are widely consumed. Given that the country is predominantly Muslim, most animal products will need to meet halal standards. Pork consumption is limited the mainly Russian minority in Kazakhstan, also due to religious considerations. Despite this, Kazakhstan is officially and practically a secular country.

As a multicultural society, Kazakhstanis enjoy a wide range of flavors and spices. In addition to traditional Central Asian dishes, there are significant Russian, Ukrainian, Chinese, Korean, and Turkish influences on food preferences in Kazakhstan. In general, Kazakhstani consumers are interested in trying and incorporating new foods into their diets.

Kazakhstanis value hospitality in everyday interactions as well as more formal festivals and celebrations. Novel or unique snack items, candies, and beverages are often sought-after as hosts seek to provide new experiences for their guests. Holidays also play a role in the types of food consumed. Major holidays include New Year and Orthodox Christmas (January 1-7), Nauryz (March 21-23), and family celebrations such as weddings and birthdays. Horse meat, pastries, sweets, fruits, and alcoholic and non-alcoholic beverages are important holiday foods.

Local Business Customs and Trends

Kazakhstan has made a major effort to promote international education to develop skills in its professionals, so many Kazakhstani businesspeople have overseas experience. However, this is not universal, and business interactions have their own flavor in Kazakhstan. For example, personal relationships tend to be important. Kazakhstani partners and clients will often expect to spend time sharing a meal and talking about family, hometowns, and after-work interests.

Russian is the traditional language of business in Kazakhstan, and it is still widely spoken. Kazakh language is growing in importance, particularly in southern Kazakhstan and outside of major cities. English language instruction is also an area of focus by the government, so many young people and professionals also have English skills.

Government involvement in the economy remains high. It is often important to find partners with industry experience and a good working relationship with local and national officials.

COVID-19 Impact

As in other countries, the COVID-19 pandemic has had a significant economic impact in Kazakhstan. According to some analysts, the most vulnerable industries are SMEs, non-food retail, aviation, oil and gas, mining, transport, and the power and utilities sectors. The Kazakhstani government implemented a number of stimulus measures, though the scale of the pandemic makes the impact hard to judge. International financial organizations anticipate 2.5 percent growth in 2021.

Kazakhstan imposed a number of temporary quarantine measures, which have varied over time as the healthcare situation and infection rates have changed. (For a summary if initial responses to COVID, please see GAIN Report KZ2020-0009.) Grocery stores and malls faced limited hours, with some malls prohibited from operating during weekends. Since many upscale supermarkets that feature imports are located within malls, the restrictions had an impact on food retail. At the same time, popularity of grocery delivery services grew. Please see the retail sector summary below for additional information.

Trade Shows

Kazakhstan holds a variety of trade shows focused on the agricultural and food sectors each year. In 2020, most of the shows were cancelled or turned into virtual events. Hosting a booth at a trade show can offer a nice focal point for either an introductory visit to the market, or to strengthen relationships with existing clients in Kazakhstan. It is also a good opportunity to display products to potential buyers, which is essential to make sales. However, it is important to conduct additional outreach both in and outside the show during your visit, as decision makers may not plan to attend unless specifically invited. Potential trade show participants are encouraged to work with FAS Nur-Sultan in advance to check the status of the shows, particularly given continued COVID-related uncertainty. Some of the key trade shows include:

Date	Show Name	Description	Location
March 10-12, 2021	AgriTek Astana	Most important spring agriculture industry trade show for northern Kazakhstan. Features agricultural inputs such as seeds, animal genetics, fertilizers, crop protection products, and machinery.	Nur-Sultan
May 26-28, 2021	InterFood Kazakhstan	Smaller food and drinks show. Stronger focus on bar equipment and ingredients.	Nur-Sultan
October 2021 (TBD)	KazFarm/KazAgro	Fall agriculture industry show for northern Kazakhstan.http://kazfarm.kz/en/	Nur-Sultan
November 3-5, 2021	FoodExpo Qazakhstan/AgroWorld Kazakhstan/Horex Kazakhstan	Kazakhstan's largest show for agricultural and food products. FoodExpo focuses on consumer-oriented foods, while AgroWorld focuses on farm equipment. These two shows and Horex Kazakhstan are combined in a single venue.	Almaty
November 10-12, 2021	AgriTek Shymkent	Small agriculture industry show in southern Kazakhstan. Features seeds, animal genetics/livestock, and farm equipment. Many Uzbekistani attendees.	Shymkent

Kazakhstani buyers may also attend larger international expos, such as Anuga or Prodexpo.

SECTION III. – IMPORT FOOD STANDARDS & REGULATIONS and IMPORT PROCEDURES

Regulations and Import Procedures

As a member of the Eurasian Economic Union (EAEU), Kazakhstan has harmonized many of its import requirements with other members (Russia, Belarus, Armenia, and Kyrgyzstan). For more information on Kazakhstani import documentation and procedures, refer to the most recent Food and Agricultural Import Regulations and Standards (FAIRS) report at https://gain.fas.usda.gov/.

Logistical Considerations

Given that Kazakhstan is landlocked, most imports must transit at least one other country before arriving. This can complicate logistics and documentation requirements, depending on the product and transit country. There are three major surface routes: through Baltic Sea ports and across Russia by rail or truck; through Chinese ports and across China by rail; or through the Black Sea to Georgia, followed by transit through Azerbaijan and across the Caspian Sea.

A study recently commissioned by FAS Nur-Sultan suggests that transit through Riga (Latvia) or Tallinn (Estonia) may be most favorable due to competitive prices and good rail linkages to Kazakhstan and Central Asia (through Russia). St. Petersburg offers similar connectivity, though the potential for customs delays is higher. Russia also restricts the importation of certain U.S. products (see FAS Moscow GAIN Report Russia Extended Food Import Ban through End 2020), though in theory these products can transit Russia to Kazakhstan in sealed containers.

The study notes that the Port of Poti (Georgia) offers competitive tariffs, but limited infrastructure and handling constraints along this route (including Baku in Azerbaijan and Aktau in Kazakhstan) make this option less desirable, particularly for larger vessels. However, since this route does not transit Russia, there is no need to apply additional navigation seals on shipments of restricted goods. Infrastructure along this route is expected to continue to develop, with many active projects that should reduce costs and time in the future.

Finally, the study examined transit through China, via Qingdao or Lianyungang. This option is one of the most affordable, and it could be a good option from the U.S. West Coast. However, COVID-19 disruptions have caused significant delays in Chinese ports, and China has implemented additional sanitary restrictions that may impact cost and transit times. Therefore, transit through these ports may not be a good option until the COVID situation normalizes.

Table 1. Snapshot of Transit Options from the United States to Kazakhstan

No	Transit options	Mode of transportation from transit port	Total Logistics Cost UDS/ton		Turnaround Time (days)
			40 Ft. Containers	40 Ft. Reefer containers	
1	Freeport of Riga and Port of Tallinn	Rail	238-373	467-675	50-60
2	Sea Port of Saint-Petersburg	Road	381-444	472-533	42-43
		Rail	282-382	348-422	50-60
3	Port of Poti	Rail	293	351-385	55-60
4	Qingdao Port and Port of Lianyungang	Rail	269-288	349-352	50-60

Source: Interviews with key transportation and logistics players

Air shipment may be the best option for certain high-value and perishable products. For example, high-quality U.S. beef is currently shipped by plane to Kazakhstan.

It is important to note that many U.S. products currently available in Kazakhstan are first shipped to third countries, so the U.S. exporter may be unaware of the product’s final destination. Even the Kazakhstani importer may not be aware of the origin of some products. Post has seen examples of U.S. produce purchased from suppliers in the Netherlands and U.S. nuts purchased from Turkish traders, among others. Though in some cases there may be more efficient ways to supply these products, often the importers in Kazakhstan purchase relatively small volumes that may be difficult to supply directly from the United States.

SECTION IV. – MARKET SECTOR STRUCTURE AND TRENDS

Hotel, Restaurant, and Institutional (HRI) Sector

The HRI sector is supplied by a number of distributors who source products locally and internationally. These companies are generally responsive to their clients in offering new products. Several international hotel chains operate in Kazakhstan, including Marriott, St. Regis, Radisson, Hilton, Ibis, Wyndham, and Turkish chain Rixos.

High-end restaurants and hotels actively source imported products, including U.S. foods, as they seek consistency and quality. Quick service restaurants and cafeterias, on the other hand, are more likely to source exclusively local products. Products not available domestically, such as frozen fries, are usually imported from Russia or the European Union. Besides local chains, several U.S., Russian, and European chains are present in Kazakhstan. Typically, new restaurant chains begin in Almaty. If successful, they spread to Nur-Sultan and other cities in Kazakhstan.

With the exception of quick service restaurants, eating out is a relative luxury in Kazakhstan. Restaurants are popular venues for celebrations, so restaurant patrons may be more amenable to splurge on imported products or to try new foods and beverages. This makes restaurants a good potential point of entry for new products in the Kazakhstani market.

During 2020, many restaurants and fast food chains started online deliveries in Kazakhstan. Despite strong initial and expected growth, market players note that only three percent of country's population is currently using online restaurant delivery services. The most popular online order applications are Wolt, Glovo, Yandex Go, and Chocofood.

Retail Sector

Much of Kazakhstan's retail food sector is still dominated by traditional markets and small stores. Markets often have sections where several vendors offer similar types of products (e.g., fresh meat, poultry, vegetables, fruits, sausages, candies). Some imported products are available at these markets, such as bulk tree nuts, wine, and prepackaged candies, but the majority are local. In summer months, farmer's markets also offer produce from small private gardens. Kazakhstanis often go to the local market for larger food purchases, perhaps once a week.

During the week, Kazakhstanis often turn to minimart-style stores located in and near residential buildings. These small stores offer a limited selection of the most commonly-used products. Minimarts are often supplied by companies that distribute their own products. This can cause sporadic availability when, for example, the local soft drink bottler is delayed in sending a truck. Some stores also buy imported or local goods at the regional wholesale market, often located just outside of the city. Overall, supply chains for these types of stores are very fractured.

Supermarkets are growing in importance in Kazakhstan, and they likely offer a better entry point for most U.S. retail goods. Supermarkets' selection of products is typically much wider. Some of Kazakhstan's largest supermarket chains include:

- Magnum: The largest grocery chain by turnover, Magnum has a presence in nine major cities. Magnum has a number of formats, from convenience stores to large supermarkets. The chain had 87 outlets as of December 2020, with plans to add more.
- Small: Small is the second largest grocer by value and number of outlets. The company has over 85 stores in at least 13 cities.
- Metro Cash & Carry: Metro's main business is as an HRI distributor. However, the company also operates seven warehouse-style stores in major cities to supply individuals and small businesses. The chain is owned by Metro Group, based in Germany.

One of Kazakhstan's leading grocery chains, Ramstore, closed the majority of its stores in the second half of 2020 due in part to limited sales. It had been one of the first foreign supermarkets in the country, and was still one of the largest with stores in Almaty and three in Nur-Sultan. Meanwhile, press reports indicate that Russian retail giant X5 plans to enter the Kazakhstani market in 2021, which could have a major impact on the sector.

Outside of the largest companies, the supermarket sector is quite fragmented. Almaty and Nur-Sultan have a wider range of retail options, including gourmet supermarkets that offer a larger selection of imported products. These types of stores may be good points of entry for high-value and specialty food and beverage from the United States. Examples include fast-expanding Galmart (five stores in Nur-Sultan and three in Almaty), Interfood (eight stores in Nur-Sultan and Almaty), Gastronom (Nur-Sultan), Esentai Gourmet (Almaty), and Colibri (Almaty).

Supermarket chains noted significant (up to 30 percent) declines in guests due to COVID-19, though average checks were higher. Chains reported moving away from a strategy of opening new outlets in malls, given mall closures and reduced foot traffic. Similar to the restaurant sector, retail chains also started online deliveries through their own online applications or partnering with online consolidation delivery services. Popular retail delivery services include online-only Arbuz, services associated with physical stores like Magnum Go and Astykzhan, and consolidated delivery services like Instashop. Market leader Arbuz anticipates high growth in online grocery purchases in the next several years.

Supply chains vary by company, with some retailers importing directly and others working through distributors. Post’s recent logistics study suggests that partnering with major distributors such as Prima Distribution or Altyn Alma may be a good approach for U.S. exporters. These distributors work with the major retail chains and have a presence throughout the country.

Food Processing Sector

Kazakhstan’s food processing sector is limited by the relatively small domestic demand for processed foods. Much food processing is localized; for example, few flour or milk brands are available nationwide. However, a few companies have wide distribution, including producers of processed meat products and confectionery. Tree nuts, including almonds and pistachios, are among the main food processing sector imports from the United States currently. These are used in confectionery, or lightly processed and re-packaged for consumer-friendly retail packs.

Kazakhstan’s government and private sector investors are actively promoting development in the meat processing sector. Kazakhstan hopes to export beef to China, Russia, and the Middle East. Though progress on this effort has been slowed by the pandemic, this remains a major priority.

Best Prospects for U.S. Exporters

<u>Healthy and Specialty Foods</u>: Kazakhstani consumers show a growing interest in foods considered “healthy.” This includes a wide range of products, including prepackaged snack items, alternative grains and flours, and imported or exotic produce. These products are often sold in specialty or gourmet stores, and are frequently marketed as being natural. Kazakhstanis

generally value products viewed as less processed and more "ecologically clean," though certifications such as "organic" are poorly understood. Recently-commissioned market analysis noted opportunities for infant foods, due to category growth and consumer emphasis on quality.

Beer, Wine, and Spirits: Beverage alcohol is one of the strongest categories for the United States currently, with several major spirits and wine brands available. Alcohol importers report steadily growing imports, as consumers become more aware of the quality of U.S. brands. Craft beer options are currently very limited in Kazakhstan, but interest is growing.

Planting Seeds: Kazakhstan shares many climatic similarities with portions of the United States, creating strong interest in U.S. seed technology for wheat, linseed, lentils, corn, and others. For more details, please see GAIN report KZ2020-0010 Kazakhstan-Market Opportunities for Planting Seeds. Please also see the latest biotechnology report via GAIN for biotech restrictions.

Live Animals and Animal Genetics: Development of the livestock sector, particularly beef production, is a key government priority. As part of this effort, Kazakhstan has imported thousands of head of live breeding cattle from the United States. Despite challenges due to lack of financing for farmers and intermittent availability of subsidies, there is continuing interest in live animals as well as embryo and semen imports to improve animal genetics.

Feed Components: Expansion of the livestock sector will increase demand for feeds, and current production of soy meal and other ingredients is insufficient. A particular opportunity may exist for components with specific nutritional and quality characteristics.

SECTION V. – AGRICULTURAL and FOOD IMPORTS

Agricultural & Food Import Statistics

As noted in Section III above, U.S. products may transit one or more other countries before arriving in Kazakhstan. Therefore, it is difficult to know whether trade data provides a full picture of the origin of imported food products. Nevertheless, the Appendix for this report contains Kazakhstani import statistics for food, agricultural, and related products.

Fastest-Growing Consumer-Oriented Product Imports

As demonstrated in the following table, the United States currently has a very low market share in most of the fastest-growing consumer food products. Other products with strong potential in Kazakhstan are listed in the "Best Prospects for U.S. Exporters" subsection above.

Fastest-Growing Consumer-Oriented Product Exports to Kazakhstan*			
Product Description	**Value (Nov 2019-Oct 2020)**	**Import Growth**	**U.S. Share**
Pork & Pork Products	13,136,220	114.9%	1.3%
Spices	16,662,890	37.6%	0.0%
Beef & Beef Products	91,314,223	32.1%	0.3%
Tree Nuts	102,776,439	29.0%	7.4%

Processed Vegetables	126,534,304	26.3%	0.2%
Condiments and Sauces	73,599,274	22.6%	0.5%
Eggs & Products	22,739,276	21.0%	0.0%
Non-Alcoholic Beverages	16,239,119	17.7%	3.7%
Fruit and Vegetable Juices	44,974,619	15.3%	0.0%
Fish Products	123,306,346	13.3%	0.0%
Dairy Products	340,731,562	11.3%	0.0%
Dog & Cat Food	33,901,072	8.6%	0.0%
Food Preps. & Misc. Beverages	334,447,459	7.4%	6.7%

*Includes categories with over five percent import growth in the last 12 months (Nov 2019-Oct 2020).

Source: Trade Data Monitor

SECTION VI. – KEY CONTACTS and FURTHER INFORMATION

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*Please contact FAS Nur-Sultan for detailed contact information for distributors and logistics providers.

Attachments: Appendix - Kazakhstani Agricultural and Related Imports 2015-2019.pdf