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## **Report Name:** Grain and Feed Annual

**Country:** Kazakhstan - Republic of

**Post:** Nur-Sultan (Astana)

**Report Category:** Grain and Feed

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### **Report Highlights:**

Kazakhstani grain production is expected to recover from last year's drought-impacted 11.4 million metric ton crop, with wheat production forecast at 13.5 million metric tons (MMT). This expected increase is due to increased soil moisture thanks to higher precipitation last fall and during the winter. Wheat exports for marketing year 2020/21 are forecast to increase modestly to 6.7 MMT. Citing concerns related to the state of emergency during the ongoing COVID-19 pandemic, the Government of Kazakhstan has implemented restrictions on exports of certain food products deemed strategic. Of particular note, Kazakhstan has established a monthly export quota for wheat and flour. Barley production is forecast relatively flat compared to last year, as higher yields are compensated by reductions in harvested area. Note: this version of the Grain and Feed Annual has been revised from the original version.

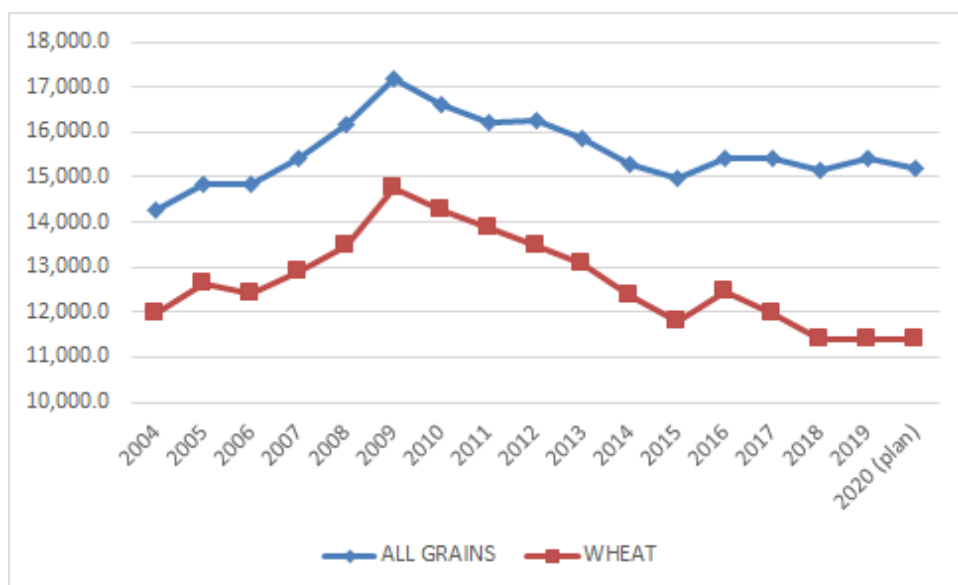
## PRODUCTION

Kazakhstani wheat production is expected to recover in marketing year (MY) 2020/21 to 13.5 million metric tons (MMT), compared to 11.4 MMT during last year's drought. Though wheat area continues to fall, higher precipitation last fall and during the winter have increased soil moisture, which is expected to lead to more average yields for MY 2020/21. Barley production is estimated at 3.9 MMT, relatively flat from MY 2019/20's production of 3.8 MMT, as higher expected yields compensate for area reductions. However, spring sowing will not begin for a number of weeks, and as a result, yield forecasts are extremely preliminary.

### *Oilseed Production Area Growing More Quickly than Grains*

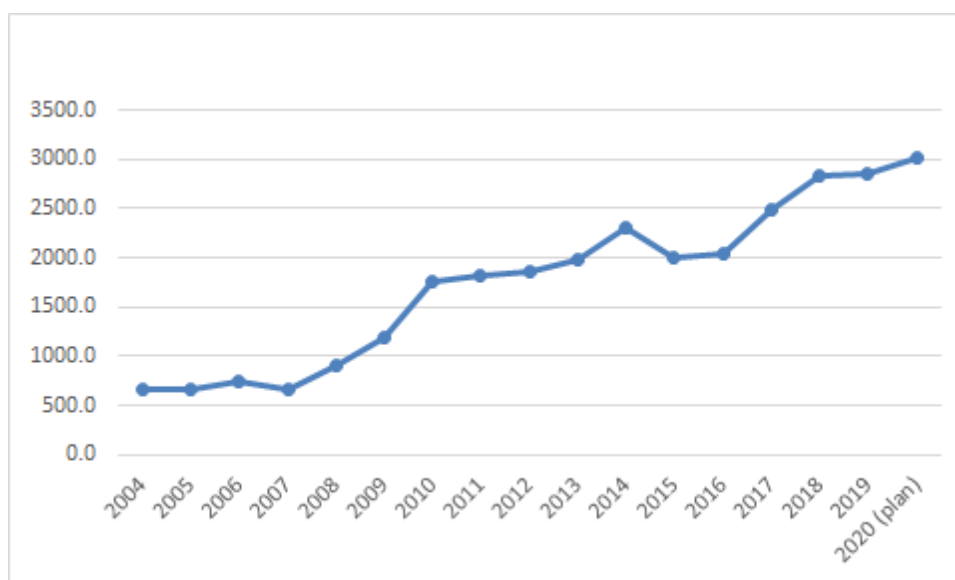
Kazakhstan continues to diversify its crop production in MY 2020/21, particularly moving to increased area for high value oilseeds crops. Thus, oilseeds area is expected to reach 3 million hectares, which is 122,000 hectares more than last year. As a reminder, the bumper wheat harvest in 2012 caused a collapse in Kazakhstan, as insufficient storage capacity caused large grain losses. As a result, the government began to promote planting of alternate higher value crops (oilseeds) to diversify farmers' incomes and to vary exports. This took the form of higher per-hectare subsidies for oilseeds than for wheat. For more information, please see [GAIN Report Kazakhstan Grain and Feed Annual Report 2014](#). Though crop-specific subsidies have now been eliminated, this program contributed to the significant increase in oilseed production in Kazakhstan in last ten years, as well as the consequent decline in wheat area.

**Chart 1. Wheat Planted Area Continues to Fall (wheat and overall grain area in hectares)**



Source: Kazakhstani Statistical Service and Ministry of Agriculture plan for 2020

**Chart 2. Oilseeds Area Continues to Grow (overall oilseed area in hectares)**



Source: Kazakhstani Statistical Service and Ministry of Agriculture plan for 2020

According to the Ministry of Agriculture [planting strategy, announced on March 17, 2020](#), total planted area in 2020 will be 22.5 million hectares, which is 238,000 hectares higher than last year. Grains and pulses are expected to make up 15.2 million hectares, which is 193,000 hectares smaller than last year. This includes wheat area at 11.381 million hectares, or 4,000 hectares smaller from last year. The biggest reduction in planned area is for barley, based on the Ministry's agricultural lands inventory. Please see Table 1 for additional details. Based on these planting intentions, Post has reduced wheat and barley harvested area for MY 2020/21, assuming an average loss and abandonment of one percent in years with normal precipitation.

**Table 1. Kazakhstan Planting Strategy for 2020, thousand hectares**

Crop	2020 (estimate)	2019 (actual)	2020 to 2019	
			Difference	%
Total planting area	22,454.7	22,217.0	237.7	101.1
Including:				
All grains	15,182.6	15,375.3	-192.7	98.7
Wheat	11,381.1	11,385.2	-3.9	100.0
Rice	102.0	102.0	0.0	100.0
Corn	157.8	156.9	0.9	100.6
Barley	2,808.0	2,997.0	-189.0	93.7
Oat	252.9	247.3	5.6	102.3
Legumes	217.4	218.5	-1.1	99.5
Oilseeds	3,009.4	2,887.2	122.22	104.2

Sugar beat	22.0	19.6	2.4	112.2
Cotton	110.0	131.1	-21.1	83.9
Potato	199.1	191.3	7.8	104.1
Vegetable	169.2	159.2	10.0	106.3
Horticulture	103.4	101.9	1.5	101.5
Feeding crops	3,568.5	3,349.9	308.6	109.2

Source: Ministry of Agriculture report on February 21, 2020

#### *Weather Contributes to Better Soil Moisture Outlook for MY 2020/21*

As noted above, Post expects higher yields in MY 2020/21 due to increased winter snow cover, which has boosted soil moisture levels. The Nur-Sultan mayor's office reports that winter precipitation during November 2019-February 2020 exceeded normal levels by two to five times (Nur-Sultan is surrounded by Akmola Region, one of Kazakhstan's primary wheat regions). Please see Table 2 below.

**Table 2. Winter Precipitation in Nur-Sultan (Astana), cm**

Years	November	December	January	February	March	Total
2010-2011	27.9	21.6	3.7	21.8	13.4	88.4
2011-2012	17.7	11.7	2.4	17.4	27.0	76.2
2012-2013	42.5	27.0	25.2	16.6	33.8	145.1
2013-2014	15.7	40.8	21.6	28.4	16.5	127
2014-2015	37.9	26.1	20.8	7.9	27.4	120
2015-2016	39.5	39.6	22.6	8.1	22.3	132
2016-2017	32.5	48.8	18.4	19.8	15.1	134.6
2017-2018	20.6	32.5	14.0	8.0	35.4	110.5
2018-2019	42.6	12.8	10.3	25.0	11.5	102.2
2019-2020	47	39	53	44.8	-	183.8
normal	28	22	16	15	18	99

Source: Nur-Sultan Mayor's office report on March 3, 2020

Generally, spring planting in the northern and central regions of Kazakhstan happens during May 15-30, while in the western and southern regions planting occurs during the third ten-day period of April through first ten days of May. In eastern mountain areas, the planting season is from April 30 through May 25, while in the eastern dry steppe it is May 15-25. Oilseed planting in northern Kazakhstan is usually scheduled for May 20-25, in central, western, and eastern Kazakhstan during May 5-15, and in Pavlodar Region during May 1-15. The planting of long-term grasses is scheduled in early spring after the snow melts.

#### *Input Subsidies Continue at Similar Levels*

According to regional governments, grain seed stocks for upcoming spring planting are reported at 1.9 MMT, oilseeds are at 89,400 tons, and feeding crops at 15,400 tons. The seeds subsidy

mechanism will be changed this year in order to provide equal access to both domestic and imported seeds.

In 2019, mineral fertilizer application totaled 470,000 tons, of which 85 percent (402,000 tons) was subsidized with 19 billion tenge (\$50 million) of government funds to reduce cost to farmers. However, this level of mineral fertilizer application still covers only 18 percent of agronomists' recommendations. For 2020, regional governments have allocated 23.3 billion tenge (\$52 million), which will help to provide 480,000 tons of mineral fertilizers.

Similarly, regional governments are expected to increase subsidies for pesticides to 30.8 billion tenge (\$68 million). In 2019, farmers used 13.3 million liters of herbicides worth 27.4 billion tenge (\$61 million) through subsidies. Under this subsidy, farmers can receive funds covering up to 40 percent of the cost of qualifying pesticides. Previously only herbicides were approved, but in October 2019 the Ministry of Agriculture changed its regulation to allow farmers to purchase insecticides and fungicides under the program as well.

The Ministry of Agriculture forecasts that 3.7 million hectares will be affected by pests in 2020. This figure includes 1.4 million hectares affected by grain crop diseases, locusts affecting 553,000 hectares, bordered apamea on 652,000 hectares, as well as hessian fly, bread beetle, cotton bollworm, spider mite, Colorado potato beetle, and rodents impacting 142,400 hectares.

The average renewal rate for agricultural machinery in 2019 is reported at four percent, while in 2018 it was 3.5 percent. In 2019, farmers were able to get 143 units of planting machines, twice as many as 2018. At present, the country has 4,000 units of highly effective planting machinery (which is able to cultivate, plant, introduce fertilizers, harrow, level, and till soil). This machinery is sufficient to plant up to 70 percent of planting area. At the same time, the country still has outdated machinery that has exceeded its useful life. For additional information on Kazakhstan's subsidies for agricultural equipment, please see [GAIN Report KZ2020-0003](#).

During planting (February-June), farmers will receive 387,000 tons of diesel fuel at the preferential price of 177 tenge (\$0.46) per liter, ten percent cheaper than the commercial market (195 tenge).

## **CONSUMPTION**

### *Wheat*

Food, seed, and industrial (FSI) consumption for wheat for MY 2019/20 and 2020/21 is forecast to remain unchanged at 4.8 MMT. Food consumption of wheat generally tracks with population, which is growing at below one percent. Traditional foods such as bread and noodles remain staples, and pastries and bakery products remain widely consumed. However, diversification of diets in recent years has also limited growth of wheat-based products beyond current levels.

As of April 2020, COVID-19 has disrupted the HRI sector due to social distancing guidelines. Delivery options have increased, somewhat mitigating the impact, and Kazakhstanians eat meals

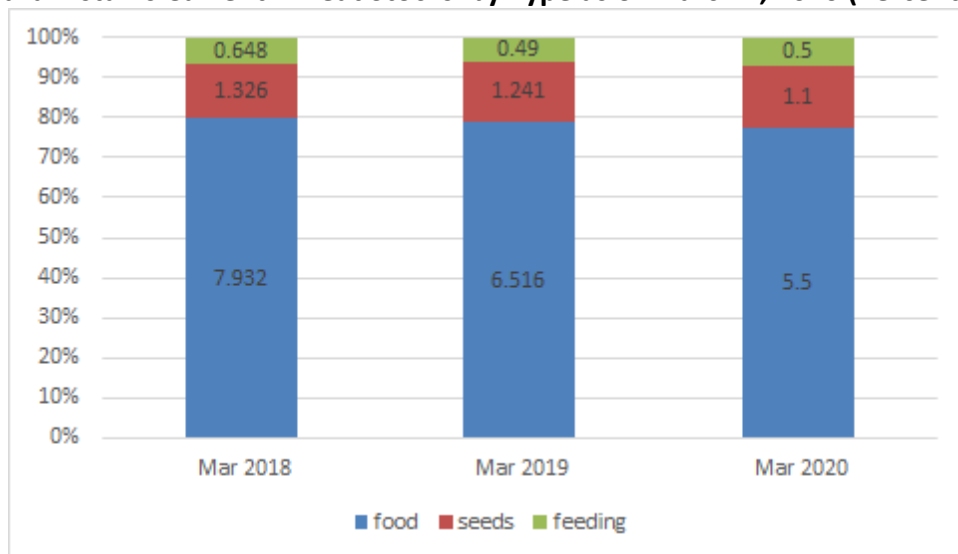
outside the home relatively rarely. Even if there is a shift from HRI to home consumption, Post expects overall wheat consumption to remain relatively stable. Therefore, Post does not forecast any significant change in human consumption for MY 2020/21.

Similarly, feed use of wheat for MY2020/2021 is forecast flat at 1.6 MMT. The feed manufacturing industry is almost non-existent in Kazakhstan. Usually each farm produces its own very basic feeds. In the long term, this may change as more modern beef production methods are adopted in Kazakhstan.

Although Kazakhstan is focusing on expanding its livestock herds, mostly cattle and sheep, the livestock population has not yet grown enough to warrant much increase in feed. Wheat remains the most-fed grain in Kazakhstan for livestock, but most of the increase in feeding in the near future is expected to be in other feed grains and grasses because of the government's strategy to increase production of these crops.

The Kazakhstan Statistical Service reports current stocks of grain based on survey data. As of March 1, 2020, wheat stocks intended for food use are 16 percent lower than the previous year. Seed use stocks are nearly flat, while and feed use wheat is down 11 percent from last year (see Chart 3 below). Note that these totals include product intended for export.

**Chart 3. Kazakhstan's Current Wheat Stocks by Type as of March 1, 2020 (Percentage/MMT)**

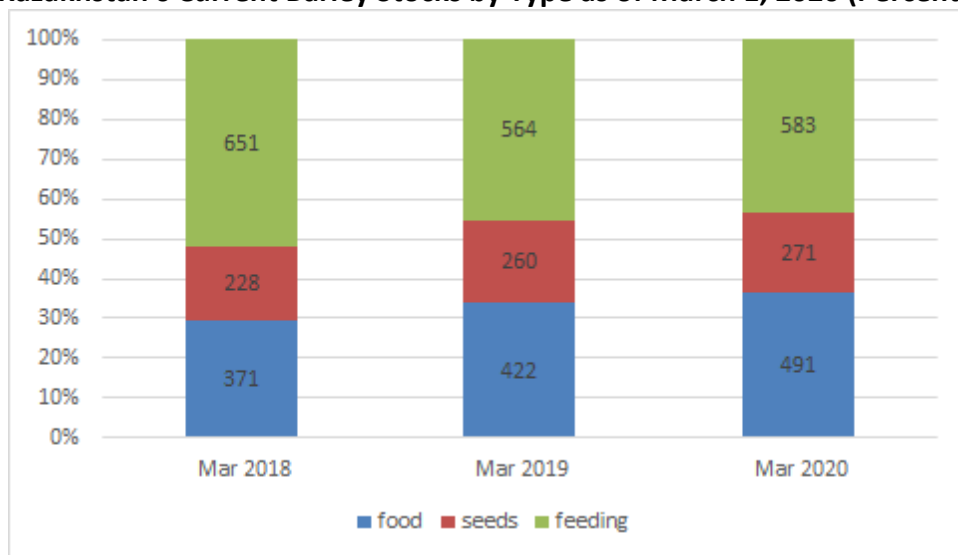


Source: Kazakhstan Statistical Service

### *Barley*

In MY 2019/20 and MY2020/21, FAS/Nur-Sultan forecasts flat feed use of barley at 1.9 MMT. The Kazakhstan Statistical Service reports that current barley stocks for food as of March 1, 2020 are 16 percent higher than a year ago, and three percent higher for feed from last year (see Chart 4 below).

**Chart 4. Kazakhstan's Current Barley Stocks by Type as of March 1, 2020 (Percentage/TMT)**

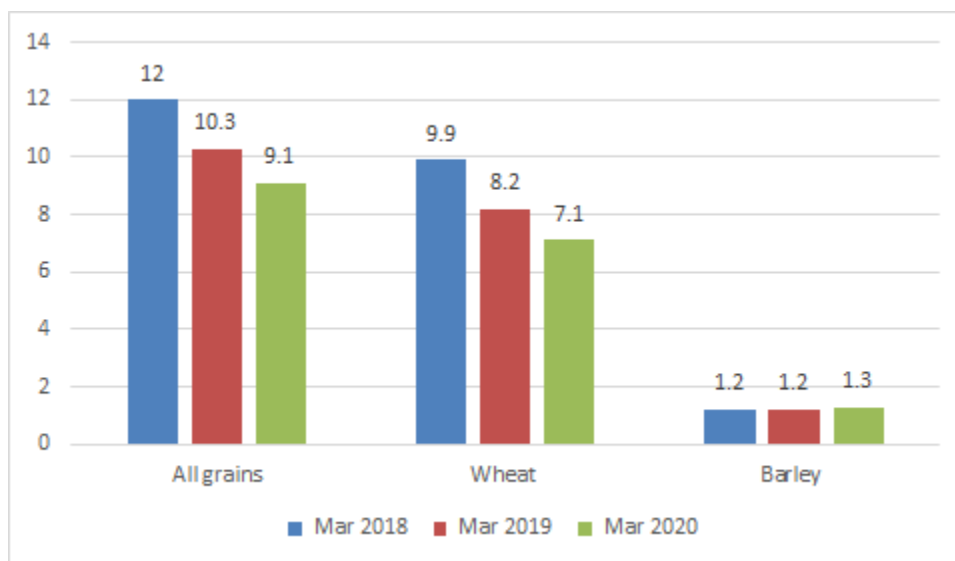


Source: Kazakhstan Statistical Service

## STOCKS

Wheat stocks have continued to decrease during the last three years. The Kazakhstan Statistical Service reports total current wheat stocks as of March 1, 2020 at 7.1 MMT, or 14 percent less than on March 1, 2019. For MY 2020/21, Post expects ending stocks to recover slightly to 1.5 MMT, due to increased production and restrictions on wheat and flour exports (see below). Current barley stocks as of March 1 are reported at 1.3 MMT, which is relatively flat over the last three years (see Chart 5 below). Post anticipates a slight continued reduction in barley ending stocks for MY 2020/21, consistent with the trend for the past few years and reflecting the slight increase in exports.

**Chart 5. Current Grains, Wheat and Barley Stocks on March 1, MMT**



Source: Kazakhstan Statistics Service

## TRADE

### *Wheat*

Wheat exports for 2020/21 marketing year are forecast at 6.7 MMT, up from 6.0 MMT in 2019/20. Higher production is expected to be somewhat mitigated by recently-introduced exports quotas by the Ministry of Agriculture (see Policy section below). Exporters are optimistic that export quotas will increase later in the year.

Uzbekistan continues to be the number one importer of Kazakhstani wheat, as it has been for the last three years. During MY 2018/19, wheat exports to Uzbekistan made up 35 percent of all exports. Traders note that the demand from Central Asian countries is growing, but exports will depend on export quotas. Kazakhstan is a significant exporter of wheat flour, particularly to Afghanistan. However, Kazakhstan's milling industry has complained that this trade has declined somewhat as Uzbekistan has milled more Kazakhstani wheat for re-export. (Please see Table 3 below).

**Table 3. Kazakhstani Wheat\* Exports (MT)**

Partner	MY 2016/17	MY 2017/18	MY 2018/19
World	7,408,813	8,999,759	8,295,773
Uzbekistan	2,581,909	3,170,885	2,885,050
Afghanistan	2,431,683	2,389,650	1,828,284
Tajikistan	1,135,120	1,158,837	1,107,134
China	276,289	510,603	463,065

Turkmenistan	50,990	166,677	413,297
Azerbaijan	43,375	240,750	339,033
Russia	223,473	193,461	334,131
Kyrgyzstan	282,461	212,998	215,412
Italy	237,029	350,235	205,160
Turkey	69,708	334,092	198,798
Georgia	2,250	45,873	101,850
Greece	0	10,379	30,829
Vietnam	720	26,474	26,927
Tunisia	18,892	28,909	26,806
Norway	0	20,995	23,250
United Kingdom	0	0	22,420
Sweden	33,350	40,181	19,470
Spain	0	16,242	16,508
Netherlands	306	5,476	10,824
Belgium	0	0	6,800
Iran	8,361	52,625	4,191
Poland	1,589	6,810	3,647
Finland	7,697	3,000	2,931
Belarus	26	84	2,882
Iraq	0	276	2,026
Ukraine	0	0	1,979
Moldova	1,833	1,339	1,549
Germany	758	816	526
Mongolia	886	238	424
Armenia	110	210	274
Lithuania	0	22	204
United Arab Emirates	0	1,084	93
Algeria	0	5,000	0
Jordan	0	1,008	0
Latvia	0	1,593	0
Lebanon	0	2,940	0
Mali	0	0	0
United States	0	0	0
Sudan	0	0	0

\*Includes wheat flour and pasta, converted to wheat grain equivalent

Source: Trade Data Monitor

### *Barley*

Post expects barley exports to rebound slightly in MY 2020/21 to 1.8 MMT, given higher available

supplies. Unlike wheat and some other grains, barley is not currently subject to any export restrictions in Kazakhstan or the Eurasian Economic Union. Iran continues to be the biggest importer of Kazakh barley, taking 89 percent of all exports during MY 2018/19. Newcomers to barley exports from Kazakhstan in 2019 include China and Azerbaijan, but it is not yet clear whether they will become regular buyers. Several markets source barley from Kazakhstan irregularly. As reported earlier, Kazakhstan and China signed [protocols on phytosanitary requirements for barley and corn](#) that enables Kazakhstan to export corn and barley to the Chinese market. Please see Table 4 below.

**Table 4. Kazakhstani Barley Exports (MT)**

Partner	MY 2016/17	MY 2017/18	MY 2018/19
World	755,186	1,353,681	1,820,615
Iran	595,327	1,289,231	1,629,563
Uzbekistan	36,812	30,174	112,506
Russia	73,587	3,068	36,197
Afghanistan	19,294	15,254	10,588
United Arab Emirates	0	0	9,537
Iraq	0	0	5,596
Israel	0	0	3,400
Azerbaijan	0	0	3,097
China	0	0	2,968
United Kingdom	0	4,604	2,743
Belarus	0	0	2,170
Tajikistan	930	3,614	1,438
Turkmenistan	0	210	661
Czech Republic	0	110	85
Poland	0	0	65
United States	23,100	0	0
Georgia	0	0	0
Germany	6,136	6,136	0
Turkey	0	0	0
Saudi Arabia	0	0	0
Jordan	0	0	0
Kyrgyzstan	0	1,171	0
Libya	0	0	0
Netherlands	0	108	0

Source: Trade Data Monitor

## POLICY

### *Wheat and Flour Exports Banned as Part of COVID-19 Response*

As a response to the COVID-19 pandemic, Kazakhstan announced a state of emergency in the country starting from March 16, 2020. Nur-Sultan and Almaty have been closed for quarantine since March 19. To support domestic businesses during this time, the Kazakhstani government introduced the following measures:

- Zero tax rate for land until the end of 2020,
- Zero rate for individual income tax for entrepreneurs till the end of 2020,
- Payment of VAT tax for imported cattle and breeding chicken is deferred.

As reported in [GAIN Report KZ2020-0005](#), in late March 2020 Kazakhstan implemented a number of temporary export restrictions on staple food. In particular, wheat and wheat flour are subject to export quotas, while buckwheat and many vegetable and oilseed products are prohibited for export while Kazakhstan remains under an emergency situation related to COVID-19. The Ministry of Agriculture has indicated that restrictions will likely remain in place until September 1, 2020.

The Kazakhstani government has stated that the restrictions are intended to ensure adequate supply of staples for the domestic market and to stabilize the economy during the current state of emergency. Kazakhstan initially planned to ban all flour exports, while not limiting wheat grain exports. However, this was revised to the current quota system due to concerns by the Kazakhstani milling industry. For April 2020, the quota for flour (HS 1101) was set at 70,000 metric tons, while the wheat grain (HS 1001) quota was set at 200,000 MT. Quota recipients will be required to sell 30 percent of the volume of their export quota on the domestic market at fixed prices. Quota applications must be submitted through the relevant producer's groups, such as the Grain Union of Kazakhstan, Millers' Union, and Potato Union of Kazakhstan. Quota volume for specific exporters is determined by taking the total quota set by the Ministry of Agriculture's Crop Department, multiplied by the exporter's percentage share of total export volume.

Millers are concerned about the wheat flour restrictions. In 2018, there were 350 active mills, but in 2019 this number decreased to 260. Average wheat flour exports were previously around 2.8 million tons, but last year exports reached just 1.4 million tons. This reduction was due in part to increased milling of Kazakhstani wheat in Uzbekistan, which drew calls from Kazakhstani millers to limit wheat grain exports in 2019. Currently, millers claim that export restrictions will create an excess supply of both grain and flour, and that increased demand for food in other countries amid the spread of COVID-19 could have helped the companies recapture losses incurred last autumn and allowed mills to stay afloat.

For the month of May, the Ministry of Agriculture increased the quota for flour to 150,000 MT and for wheat to 257,000 MT (including 230,000 MT of food-grade wheat, 20,000 MT of feed wheat, and 7,000 MT of organic wheat).

### COVID-19 Also Impacts Exchange Rate

At the same time, Kazakhstan's national currency, the tenge, has depreciated by 16 percent against the dollar in March 2020 in the midst of the COVID-19 pandemic and a decline in oil prices. The U.S. Dollar exchange rate to Kazakhstani Tenge had increased from 382.05 tenge per \$1 on March 16, 2020 to 444.80 tenge per \$1 by March 26, 2020, and it continued to grow. The last major depreciation happened in 2015. The exchange rate fluctuations may impact the affordability of imported inputs such as fertilizer and seeds.

**NOTE: The National Bank of Kazakhstan exchange rate as of April 2, 2020: 1 U.S. Dollar = 448,52 Tenge**

### PSD

Wheat Market Begin Year Kazakhstan	2018/2019		2019/2020		2020/2021	
	Sep 2018		Sep 2019		Sep 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11354	11354	11339	11339	0	11260
Beginning Stocks	2542	2542	1683	1683	0	1085
Production	13947	13947	11452	11452	0	13500
MY Imports	90	90	350	350	0	60
TY Imports	89	89	350	350	0	60
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	16579	16579	13485	13485	0	14645
MY Exports	8296	8296	6000	6000	0	6700
TY Exports	8780	8780	6000	6000	0	6700
Feed and Residual	1800	1800	1600	1600	0	1600
FSI Consumption	4800	4800	4800	4800	0	4800
Total Consumption	6600	6600	6400	6400	0	6400
Ending Stocks	1683	1683	1085	1085	0	1545
Total Distribution	16579	16579	13485	13485	0	14645
Yield	1.2284	1.2284	1.01	1.01	0	1.199
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley	2018/2019	2019/2020	2020/2021
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Market Begin Year	Jul 2018		Jul 2019		Jul 2020	
Kazakhstan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2516	2516	2977	2977	0	2779
Beginning Stocks	370	370	403	403	0	363
Production	3971	3971	3830	3830	0	3900
MY Imports	32	32	30	30	0	30
TY Imports	30	30	30	30	0	30
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4373	4373	4263	4263	0	4293
MY Exports	1820	1820	1700	1700	0	1800
TY Exports	1762	1762	1700	1700	0	1800
Feed and Residual	1850	1850	1900	1900	0	1900
FSI Consumption	300	300	300	300	0	300
Total Consumption	2150	2150	2200	2200	0	2200
Ending Stocks	403	403	363	363	0	293
Total Distribution	4373	4373	4263	4263	0	4293
Yield	1.5783	1.5783	1.2865	1.2865	0	1.4033
(1000 HA) ,(1000 MT) ,(MT/HA)						

#### Attachments:

No Attachments