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

**Country:** Kazakhstan - Republic of

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

**Report Category:** Grain and Feed

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### **Report Highlights:**

This report contains FAS Nur-Sultan's revised production and trade forecasts for MY2020/21. Weather conditions in Kazakhstan have not been favorable for plant growth during the timeframe covered in this report. As a result, Post has revised production volume, decreasing estimates for wheat compared with previous estimates in the 2020 Annual Grain Report. This decrease, in addition to an expected continuation of the slowdown in exports, led to a reduction in Post's MY 2020/21 trade forecast as well.

## General Information:

Kazakhstan's Ministry of Agriculture reported that spring planting finished on June 9, 2020. Spring planting area for all crops covered 19.147 million hectares, compared to last year's 18.555 million hectares. The ministry reports grains and legumes planted area at 14.812 million hectares, oilseeds at 3.030 million hectares, corn for grain at 158,800 hectares, rice at 102,900 hectares, and various other crops at 1.3 million hectares total.

Table 1. Kazakhstan Planting Progress Report

	Spring Grains				Oilseeds			
	Estimate		Planted		Estimate		Planted	
	2019	2020	2019	2020	2019	2020	2019	2020
AKMOLA	4,458.3	4,458.3	4,458.3	4,458.3	264.5	254	264.5	254
AKTOBE	452.2	435.9	452.2	435.9	50.1	46	29.8	46
ALMATY	246.9	259.2	246.9	259.2	169.2	163.3	169.2	163.3
ATYRAU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EAST KAZ	560.4	540.2	498.7	540.2	443.9	465.2	426.5	465.2
JAMBYL	194.7	215.6	194.7	215.6	62.0	57.3	61.0	57.3
WEST-KAZ	190.0	159.6	172.7	159.6	64.8	118.7	76.0	118.7
KARAGANDA	863.1	895.5	863.0	895.7	19.9	24.0	19.9	24.0
KYZYLORDA	4.8	9.1	4.8	9.1	7.0	5.6	6.8	5.6
KOSTANAY	3,968.6	3,818.9	3,991.9	3,818.9	510.1	648.0	530.0	648.0
MANGISTAU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PAVLODAR	710.1	798.7	710.2	798.7	214.8	219.4	222.6	219.4
NORTH-KAZ	2,760.1	2,885.1	2,760.1	2,885.1	850.0	932.2	850.0	932.2
TURKESTAN	51.8	64.5	51.7	64.5	97.0	91.5	93.8	91.5
SHYMKENT	0.0	9.5	0.0	9.5	4.1	5.4	4.1	5.4
<b>TOTAL</b>	<b>14,461.0</b>	<b>14,550.1</b>	<b>14,405.2</b>	<b>14,550.3</b>	<b>2,757.4</b>	<b>3,030.6</b>	<b>2,754.2</b>	<b>3,030.6</b>

Source: Kazakhstan Ministry of Agriculture Final Planting Report as of June 9, 2020

The Ministry of Agriculture [noted](#) that planting was timely and well-implemented, which helped retain soil moisture. Pre-planting soil treatment helped to control weeds. According to the Kazakhstani Weather Service, average June temperature was expected to be normal in North Kazakhstan region, in the northern parts of Kostanay, Akmola, and Pavlodar regions. Higher than normal temperature (about 1C higher) is expected in the middle and southern part of the above-mentioned regions, as well as Karaganda and East Kazakhstan regions. Precipitation in these regions is expected to be normal, except in Karaganda region, which had lower precipitation. The Ministry of Agriculture emphasized the importance of phytosanitary protection, and allocated 37 billion tenge (\$91 million) to subsidize 16.6 million liters of herbicides.

As of July, the Ministry reports that, based on local government assessments, 48 percent of planted grain and legume area is in “good” condition, 49 percent is “satisfactory,” and just three percent is in “unsatisfactory” condition. However, farmer views on the current crop are mixed.

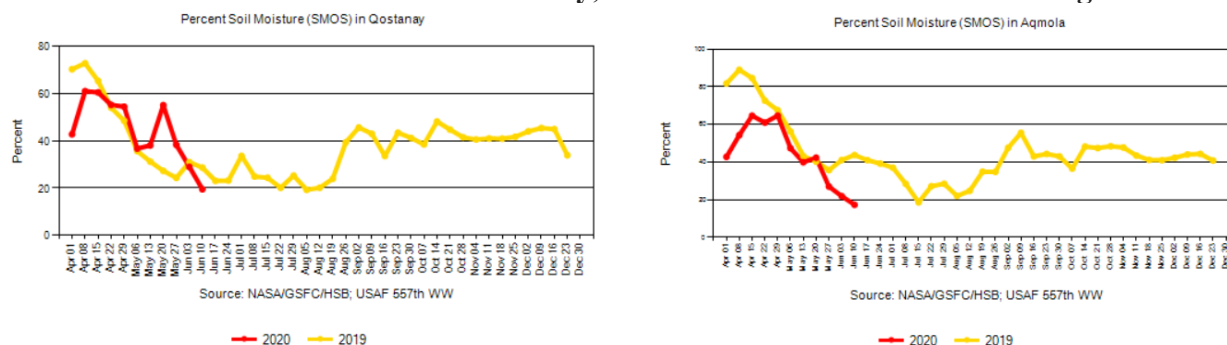
Local agronomists noted good news for farmers, in that winter precipitation during this year were 1.5-2 times higher than the long-term average in grain producing areas. There was abundant snowfall in so-called “dark chestnut” and “chestnut” soil areas, which include the center of Kostanay region and the southern part of Akmola region, as well as Karaganda, Pavlodar, East Kazakhstan, and Altay region in Russia. In contrast, in “black earth” zones (northern part of Kostanay region, north of Akmola, and part of North-Kazakhstan region) snowfall was close to normal or lower.

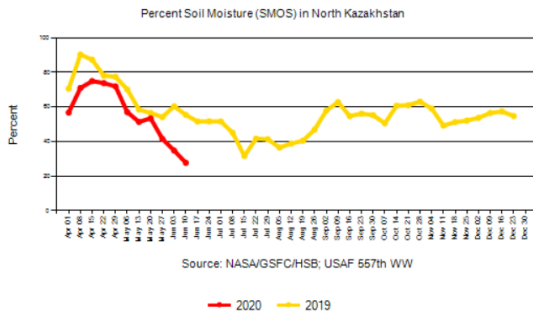
Though higher precipitation increased soil moisture, agronomists note that it also washed away soil nitrogen. Experts believe that lower soil nitrogen content will reduce yields this marketing year. Furthermore, the revised seed subsidy support regulations (for more information, refer to [GAIN Market Opportunities for Planting Seeds Report](#)) did not affect the MY 2020/21 planting season. Experts note that planting seeds quality was not good this year, which could further lower yields.

Kazakhstan’s weather service KazHydromet conducted an [agro-meteorological survey](#) for the first ten days of June, assessing different crops. They found hot weather with short rain showers in the main areas of spring grain crops, except in West-Kazakhstan and East-Kazakhstan regions, which had higher than normal precipitation. Such meteorological conditions were unfavorable for spring grain crops’ growth and development, but did promote weed growth, increasing herbicide treatments.

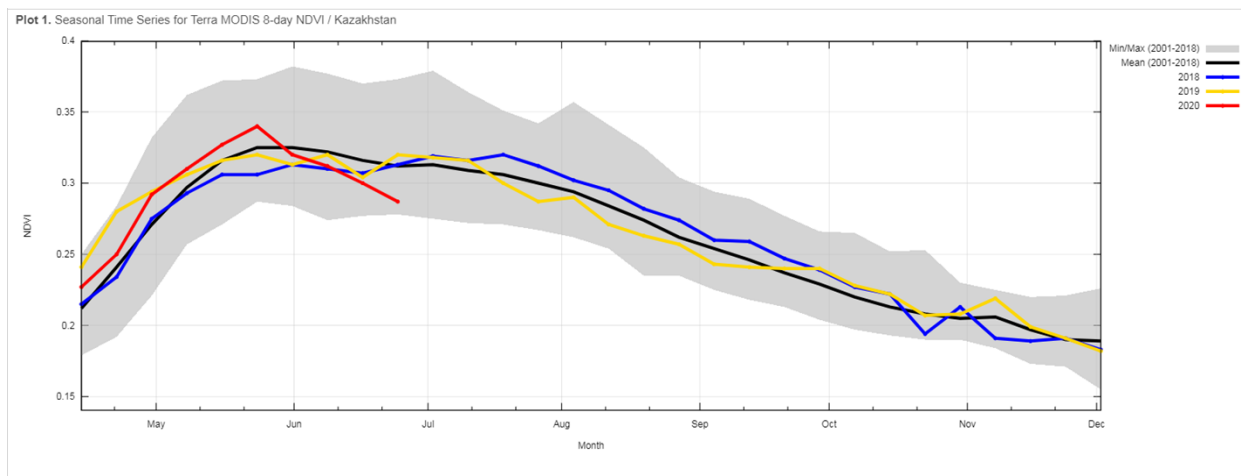
The lack of rains in early June and resulting low soil moisture (see Chart 1 below) caused some panic among farmers, who fear a possible drought this summer. During the first ten days of June, **Akmola** oblast plantings [are reported](#) to be at tillering and stemming. Plants are 14-24 cm high, with the number of plants per one square meter from 161 to 652 units. Plants in **Kostanay** region are reported at 6-24 cm, with 125 to 665 units per square meter. Scientists note that plants look better than last year in the region. Plants in **North Kazakhstan** region are reported to be at the stemming stage, with 6-25 cm height and 241-490 plants per square meter. Local scientists describe plantings as “*satisfactory*,” but with “*low genetic potential*.” Rains in the northern parts of Kazakhstan on June 26-28, 2020 as well as lower air temperatures at 2-10 C at night kept some [farmers optimistic](#), while other farmers noted that this improvement is “already too late for lost plantings.”

**Chart 1. Percent Soil Moisture in Kostanay, Akmola and North-Kazakhstan regions**





The following graph depicts the Normalized Difference Vegetation Index (NDVI) in Kazakhstan. Based on the NDVI for Kazakhstan, it appears that growth conditions starting in late May 2020 were less favorable compared to the same time period the two previous years (2019 and 2018).



## Policy

### *Crop Insurance*

As reported in [KZ2020-0002 Kazakhstan Grain and Feed Update](#), Kazakhstan's crop insurance system was reformed from an obligatory program to voluntary. Now, 50 percent of insurance premiums are subsidized by the government, and this year 2.5 billion tenge (\$6 million) are allocated for insurance support. Insurance is now based on the [moisture deficiency coefficient](#), while previously it was based on losses caused by draught.

### *Humanitarian Aid*

The press service of the Ministry of Foreign Affairs reported that Kazakhstan conveyed a shipment of humanitarian aid to Afghanistan due to the COVID crisis. The aid was delivered by railway and included 1900 metric tons (MT) of flour, 500 MT of pasta, four thousand liters of sunflower oil and 200 thousand cans of condensed milk. Earlier in May, Kazakhstan also conveyed 5,000 tons of wheat flour as humanitarian aid to Tajikistan and Kyrgyzstan.

### *Land Use Legislation*

Kazakhstan continues to [reform land use legislation](#) towards providing more transparency to agricultural land use. In particular, new amendments would provide monthly public updates of available land plots,

which will be “sold” (i.e., the lease rights will be granted) at auctions or through electronic bidding. The Ministry of Agriculture believes that these amendments will prevent misinterpretations of the law and reduce paperwork for land ownership.

#### *Other Policies*

The Ministry of National Economy has [suggested setting](#) a zero VAT rate for rail transportation fares for rail and sea ports to stimulate transit through Kazakhstan. This proposal has not yet been implemented.

## **WHEAT**

### **Production**

MY 2020/21 wheat production is forecast at 12.8 MMT (please refer to PSD table at the end of this section), a twelve percent increase compared to the previous MY (11.452 MMT), but a decrease from USDA Official numbers. Post bases this forecast on available NDVI, soil moisture data, as well as the consensus that poor weather conditions impacted the earliest wheat planted (i.e., in April). Farmers report early plantings as failing at up to a 50 percent rate. This places the FAS Nur-Sultan estimate at 0.7 MMT smaller than the USDA official estimate for MY 2020/21.

### **Consumption**

COVID-related wheat and wheat flour export restrictions, which were imposed and subsequently lifted in spring this year (please see [Kazakhstan COVID-19 Updates and Impacts Report](#)) slowed Kazakhstani wheat flour production. During January-May 2020, wheat flour production dropped twelve percent, compared to last year’s production. Kazakhstan’s Millers Union estimates that this slowdown will continue until the new harvest in September. However, experts believe that milling industry will reach its usual production level by the end of calendar year 2020. This slowdown primarily impacts flour for export, so domestic wheat consumption is not expected to decline.

In order to support domestic grain producers, the Food Contracting Corporation – a government agency responsible for grain purchases [announced the forward purchases of 365,000 tons of grain crops on domestic market on May 19, 2020](#). The announcement included the procurement of the following crops at the prices listed in Table 2.

**Table 2. Food Contracting Corporation forward procurement announcement**

	Preliminary payment, tenge/ton		Expected purchasing price, tenge/ton	
	Without VAT, tenge/USD	With VAT, tenge/USD	Without VAT, tenge/USD	With VAT, tenge/USD
Food wheat	45,000/\$111	50,000/\$123		
Soft wheat class 3			62,500/\$154	70,000/\$172
Soft wheat class 4			53,571/\$132	60,000/\$148
Barley	27,000/\$66	30,000/\$74	44,643/\$110	50,000/\$123
Sunflower	45,000/\$111	50,000/\$123	89,286/\$220	100,000/246
Buckwheat	27,000/\$66	30,000/\$74	44,643/\$110	50,000/\$123

Source: [Food Contracting Corporation announcement from May 19, 2020](#)

## Trade

The above-mentioned wheat grain export restrictions and subsequent milling slowdown continue to impact the Kazakhstani market. Significant competition from Russian shippers, which also faced export restrictions for some products, has caused a reduction in Kazakhstan's grain shipments. Kazakhstani wheat prices remain higher than Russian wheat, slowing down exports from Kazakhstan. Traditionally, Kazakhstani wheat was competitive at \$10 cheaper per metric ton than Russian wheat. However, this is not the case in current marketing year. The [Millers Union of Kazakhstan explains](#) that while export quotas were in place, Russian traders took advantage and started to ship to Central Asian countries that are traditionally supplied by Kazakhstan. Similarly, Ukrainian suppliers started to ship to Afghanistan.

Similarly, wheat flour exports have recovered very slowly since restrictions were lifted, due to competition from Russian and Ukrainian exports. Similarly, wheat exporters report a slowdown due to lower demand from traditional buyers. Overall, available trade data through May 2020 indicates that MY 19/20 exports have fallen by over 20 percent. This decline is already reflected in USDA official estimates.

The unrecorded grain trade between Russia and Kazakhstan [remains problematic](#). The Russian Ministry of Agriculture is considering designing an approach to control movement of grain between Kazakhstan and Russia to prevent illegal trade at the border. However, no details of the program have been released. The Russian Ministry estimates that illegal imports from Kazakhstan may reach 1 million metric tons.

Based on a smaller estimated harvest and the expectation that many factors contributing to the current trade slowdown will continue, FAS Nur-Sultan estimates MY 2020/21 wheat exports at 6.2 MMT, significantly lower than the USDA official number (7.1 MMT).

## Stocks

Post has revised MY 2020/21 ending stocks upward, due to expectations of lower than previously-estimated exports.

## 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	11250	11250
Beginning Stocks	2542	2542	1683	1683	1135	1135
Production	13947	13947	11452	11452	13500	12800
MY Imports	90	90	400	400	100	100
TY Imports	89	89	400	400	100	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	16579	16579	13535	13535	14735	14035
MY Exports	8296	8296	6000	6000	7100	6200
TY Exports	8780	8780	5800	5800	6600	6200
Feed and Residual	1800	1800	1600	1600	1500	1500
FSI Consumption	4800	4800	4800	4800	4800	4800
Total Consumption	6600	6600	6400	6400	6300	6300
Ending Stocks	1683	1683	1135	1135	1335	1535
Total Distribution	16579	16579	13535	13535	14735	14035
Yield	1.2284	1.2284	1.01	1.01	1.2	1.1378
(1000 HA) ,(1000 MT) ,(MT/HA)						

## BARLEY

### Production

The earliest-planted (i.e., April) barley in **Akmola** region is reported at 10-15 cm high, while later-planted barley is 5-15 cm high. Barley planted on May 20 is not higher than 3-4 cm. In other words, early plantings were negatively affected by soil moisture deficiency, in combination with weeds. Farmers are reluctant to apply herbicides, because they afraid of additional stress to the plants. Some farmers report the presence of “the most terrible weed,” spurge. In general, farmers in the region describe expectations as “worse than last year,” and they describe production outlook as “sorrowful.”

Farmers in **North-Kazakhstan** region are very anxious for rains in a number of regions (Tainshinskiy, Timiryazevskiy, Yessilskyi, Magzhana Jumabayeva, Shal Akyna, Zhambylski, Akkainskiy and Ualikhanovski). Local agronomists report thrips and flea beetle, which are signs of soil moisture deficiency. Thermal burn on plants is very common in all grain producing areas this year.

In contrast, the situation in **Kostanay** region appears to be better. Farmers report that plants are in good and satisfactory condition.

MY2020/21 barley production is forecast at 4.0 MMT, fourteen percent larger than the previous drought-impacted MY (3.83 MMT), but 0.4 MMT smaller than the USDA official forecast (4.4 MMT). The primary reason for this reduction from USDA official numbers is soil moisture data for June 2020 and resulting lower NDVI.

## Trade

In MY 2020/2021, barley exports are forecast at 1.7 MMT, 0.2 MMT more than the estimated 1.5 MMT for MY 2019/2020. The forecast has been revised downward from USDA official estimates due to lower expected demand from Iran and China. According to industry contacts, Iran has increased its own barley production and China shifted interest to corn. Experts note that it is possible that Iran may return to Kazakhstani barley in the fall after potential Iranian national currency shifts during the summer.

Barley imports to Kazakhstan are insignificant, mostly intended for processing/feed and originating from neighboring countries (i.e., Russia).

## Stocks

The estimate for MY 2020/21 stocks has been reduced due to lower expected production.

## PSD

Barley Market Begin Year Kazakhstan	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2516	2516	2977	2977	2800	2800
Beginning Stocks	370	370	403	403	463	463
Production	3971	3971	3830	3830	4400	4000
MY Imports	32	32	30	30	30	30
TY Imports	30	30	30	30	30	30
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4373	4373	4263	4263	4893	4493
MY Exports	1820	1820	1500	1500	1900	1700
TY Exports	1762	1762	1500	1500	1900	1700
Feed and Residual	1850	1850	1900	1900	2150	2150
FSI Consumption	300	300	300	300	300	300
Total Consumption	2150	2150	2300	2200	2450	2450
Ending Stocks	403	403	463	463	543	343
Total Distribution	4373	4373	4263	4263	4893	4493
Yield	1.5783	1.5783	1.2865	1.2865	1.5714	1.4286

(1000 HA) ,(1000 MT) ,(MT/HA)

## Attachments:

No Attachments