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Country: Kazakhstan - Republic of

Post: Astana(Nur-Sultan)

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Report Highlights:

As a result of very dry weather conditions in key growing regions and then high precipitation during harvest, Kazakhstan's 2023 wheat production is expected to drop sharply to around three-quarter of last year's level. Despite lower production, large carry-over stocks will sustain export volumes in 2023/2024.



Dry weather in June and extensive rains in late August-September 2023 in Northern Kazakhstan. Source: [Agrosektor](#)

General Information

Policy Updates

On September 4, 2023, Aidarbek Saparov was appointed the [new Minister of Agriculture](#) of Kazakhstan. Prior to his recent appointment, he worked as the Governor of the North Kazakhstan region. From March 2019 to November 2022, he served as the First Vice Minister within the Ministry of Agriculture. He is a graduate from the Omsk Agricultural Institute in Russia and North Kazakhstan State University. On October 16, 2023, the Kazakhstan Ministry of Agriculture celebrated Bread Day, noting the unfavorable weather conditions but reporting on no concerns with supply. The Ministry stated that 90.2 percent of the harvest for all grains and oilseeds was complete across 15.6 million hectares.

Effective October 11, 2023, Kazakhstan [extended](#) the restriction on wheat (HS100119 and HS 100199) imports from third countries as well as Eurasian Economic Union members for six months. The relevant decree restricts imports by truck and rail but excludes rail shipments to designated licensed grain storage facilities, mills, and poultry farms. Additionally, these restrictions do not affect rail shipments transiting the territory of Kazakhstan.

On April 24, 2023, the Ministry of Agriculture approved the subsidy rates for purchasing seeds of major crops produced in Kazakhstan. As an example, wheat seeds are subsidized at \$225 per metric ton for first generation (F1) seeds and \$113 per metric ton for third generation (F3) seeds. The Ministry of Agriculture approves these rates on an annual basis and these rates may vary from year to year. First generation seed is usually obtained from a local scientific research institute, plant breeding center, or multinational seed supplier. Second and third generation seed subsidies are provided when farmers register as a seed producer, supplying themselves and local markets. For more information please, see Table 1 below.

[Kazakhstan is sending humanitarian aid](#) and rescue teams to Afghanistan to deal with the consequences of the devastating earthquakes that hit Herat province on October 7, 2023. The aid includes foods, tents, medicine, clothing and other essentials. The aid will be sent by air and rail.

Table 1. Seeds subsidies rates for major crops, per 1 metric ton, USD

Crops	First Generation (F1)	Second Generation (F2)	Third Generation (F3)
Wheat	\$255	\$165	\$113
Barley	\$205	\$146	\$105
Pea	\$364	\$196	\$179
Lentils	\$508	\$384	\$339
Other pulses	\$282	\$203	\$148
Rice	\$371	\$280	\$212
Rapeseeds	\$639	\$509	\$403
Sunflower	\$631	\$503	\$398
Soybeans	\$650	\$378	\$300
Safflower	\$341	\$254	\$204
Mustard, other oilseeds	\$395	\$300	\$229
Flax	\$401	\$305	\$229
Cotton	\$1,055	\$639	\$371

Source: [Ministry of Agriculture Order No 152 from April 24, 2023](#)

WHEAT

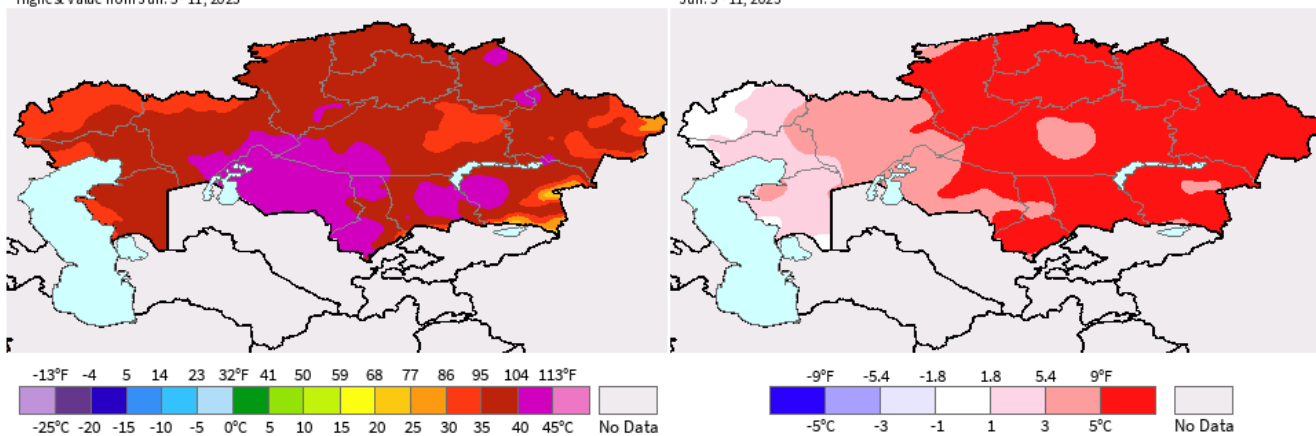
Production

In marketing year (MY) 2023/24, wheat production is expected to fall to nearly 12.5 million metric tons due to dry weather during the summer followed by heavy rains during harvest. This compares to 16.4 million metric tons in the last marketing year. Farmers expressed that harvest likely won't be complete until the end of October and estimate that crop quality issues will leave them short 1 million metric tons of wheat planting seed needed for the next season. This may drive farmers to source seeds from Russia or revisit their planting strategy by shifting to other crops.

Chart 1. Hot temperatures during second week of June 2023

Maximum Daily Temperature (CPC)
Highest Value from Jun. 5 - 11, 2023

Mean Maximum Temperature Departure from Normal (CPC)
Jun. 5 - 11, 2023

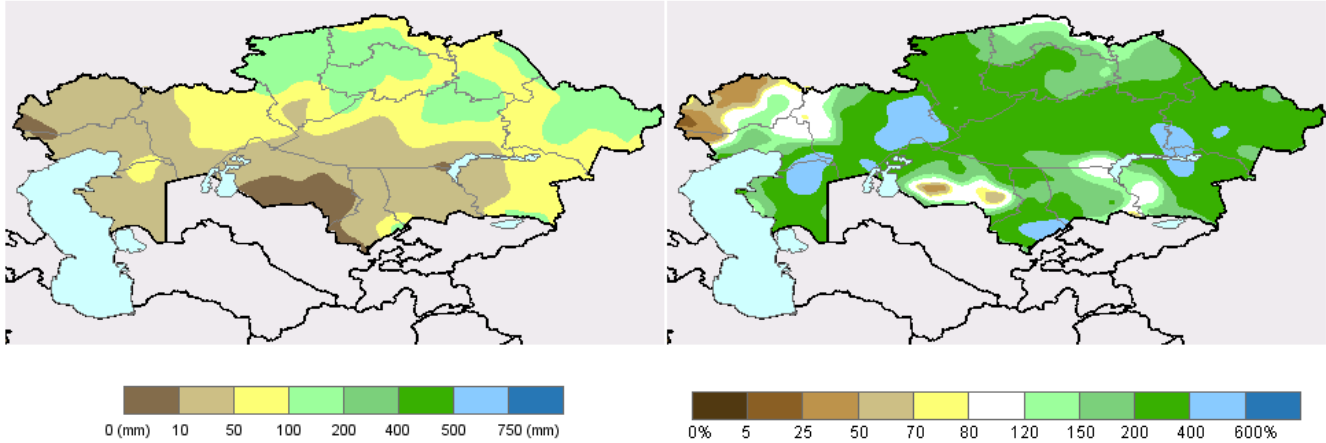


Source: [USDA FAS Crop Explorer](#)

Chart 2. Precipitation August 1-September 30, 2023

Precipitation 2-Month (CPC)
Aug. 1 - Sep. 30, 2023

Percent of Normal Precipitation 2-Month (CPC)
Aug. 1 - Sep. 30, 2023



Source: [USDA FAS Crop Explorer](#)

Wheat Quality Concerns

The heavy rains in northern Kazakhstan started on August 22 and continued through September 17, 2023, in the main grain producing areas. Rains delayed harvest and significantly affected wheat quality. Excess precipitation during harvest mostly impacted wheat planted after June 5, while wheat planted earlier in mid-May to the first week of June was harvested before rains set-in and is in good marketable condition.

Some market players report [significant moisture content in grain](#), reaching up to 70 percent on an as-is basis. This has resulted in high falling numbers, sprout damage, and other quality issues like low test weight, low gluten content, and unusual odors. There is also a higher probability of plant diseases, like fusarium, Septoria, and rust, and Alternaria with barley. The MY 2023/2024 wheat crop contain pests such as red flour beetles and weevils which were not widely reported last year. There are also concerns over pests imported on grain from Russia, including the tenebrionid beetle, flour beetle, and bitterweed.

As local experts note, the high moisture content leads to wheat regrowth. Analysts estimate that roughly 450,000 to 500,000 metric tons of wheat are affected by regrowth, which is only 4 to 5 percent of the total wheat crop. As a possible solution to these myriad quality concerns, traders suggest conducting additional drying at high temperatures, or even roasting to stop the germination process, as well as blending with higher quality wheat. Traders believe that these kinds of practices will keep quality consistent despite this year's challenges.

Consumption and Stocks

According to local analysts, domestic grain consumption is stable, and is not expected to increase in the next few years. They reported that the grain export restrictions that Kazakhstan imposed in MY 2021/22 led to higher domestic stocks (see GAIN reports [KZ2022-0009](#), [KZ2022-0014](#), and [KZ2022-0019](#)). Two additional factors leading to higher domestic stocks included under recorded Russian wheat imports and limited rail infrastructure to export grain.

Trade

FAS-Astana estimates wheat exports in MY 2023/2024 at 9.5 million metric tons, 1 million metric tons smaller from the previous marketing year (Table 2). Producers and exporters note that the challenges they faced in MY 2022/2023 of limited rail capacity, outdated infrastructure, and delayed value added tax and subsidy reimbursements will continue affecting wheat exports in MY 2023/2024. Lower wheat quality is the major challenge this year and will act as a headwind to increased exports.

The main markets for the sale of Kazakhstani agricultural products are China, Central Asia, Iran, and Europe. Each country has its own requirements and quality standards. In Iran, they also evaluate gluten, moisture, and test weight, paying close attention to weeds and grain impurities. For example, Iranian buyers will often decrease bids by \$3 per metric ton if the weed impurity exceeds 0.1 percent. The toughest requirements are in China. In China, traders normally require a discount schedule that reduces the total contract price for each 0.1 percent of protein, gluten, moisture, and test weight that is lower than the agreed contract specification.

Another problematic issue that exporters face is the weight of the product when delivered to the buyer. At origin, inspectors monitor loadings carefully, checking scales, inspecting each car for leaks and holes, and verifying that loads are not underweight. After loading the cars, inspectors are present during container sealing with video and photographic equipment. Nevertheless, during shipment there is always shrinkage, differences in how scales are balanced, what equipment may be used, and best practices that results in a weight discrepancy between origin and destination. For example, during loading in Kazakhstan they use mechanical scales, but the buyer accepts shipment on electronic scales.

The problem of theft also persists. In 2023, alleged theft of wheat was reported in Turkmenistan. The last accusations of theft occurred in September, when a buyer of Kazakh grain was missing 2 metric tons per hopper car. When examining the carriages, it was evident they had been opened along the route. Most cases of theft go unsolved, but this year with the participation of inspectors, some thefts were attributed to individuals during transit through Turkmenistan.

The Trans-Caspian corridor through the Caucasus is less utilized by exporters due to a lack of widely available grain storage infrastructure in Poti and Batumi. A lack of storage in the port of Kuryk is also a challenge, with space for only 50,000 metric tons. With lower water levels in the Caspian Sea and restrictions on available vessel sizes, it is harder to reach economies of scale to make the Trans-Caspian corridor more attractive to Kazakhstan exporters.

Despite myriad challenges in marketing year 2022/2023, wheat exports have increased by 30 percent. The biggest exports were 4.1 million metric tons to Uzbekistan, 1.9 million metric tons to Afghanistan and 1 million tons to Tajikistan. The exports to Iran have dropped 75 percent to 162,000 metric tons. Exports to China reached 354,000 metric tons. For more details, please, refer to Appendix 1.

Exports to Central Asia, China, and Beyond

Durum wheat remains in strong demand from Italian buyers due to crop issues in Italy. While importers in Afghanistan are buying wheat for feedstuff production despite high falling numbers and 70 percent moisture. Millers from Uzbekistan are adjusting their production lines to be able to process various qualities of Kazakh wheat this year.

Kazakhstani traders remain optimistic about shipments to China. They note that the Alashankou rail border station has grown to be the biggest dry port facility in China, excluding seaports. Chinese imports are duty free and have a transportation subsidy when shipping commodities to inland areas. Traders in Kazakhstan report constant inquiries from Chinese importers about high falling number or poor-quality wheat, suitable for spirits, ethanol, or feedstuff production. During summer 2023, Kazakhstan and China signed a visa waiver agreement allowing citizens to stay 30-days visa-free in both countries. Traders note that this agreement helped strengthen business ties with buyers in China.

Globally, Kazakhstan faces stiff competition from Russian wheat, with Iran, Kyrgyzstan, and Uzbekistan buyers all willing to purchase Russian origin despite geopolitical tensions, sanctions, and currency issues.

Wheat Imports from Russia

Since Kazakhstan has restricted wheat imports from Russia by truck but allowed imports by rail, market analysts report that the existing rail infrastructure in both Russia and Kazakhstan limits trade. Wheat exporters from Russia complain that heavy rail traffic at the border is causing hoppers to get stuck for several days. Market experts estimate that rail infrastructure will limit Russian wheat exports to Kazakhstan to roughly 1.5 million metric tons in next marketing year. While rail is constrained, imports from Russia are continuing through barge [shipments on the river in the Pavlodar region](#). Some Russian wheat is processed in Kazakhstan, while the rest is exported to the Central Asian countries at cheaper than market price.

Milling Sector Update

Millers will continue receiving Russian wheat by rail and blending to produce food-grade wheat for export markets in Central Asia. Millers note that they are flexible and well equipped to accept all possible wheat classes and qualities in order to produce high-quality wheat flour. Uzbekistan and Tajikistan continue to develop their respective milling industries by investing in new or renovating existing facilities.

Table 2. Wheat Production, Supply, and Distribution, October 2023 Estimate

Wheat Market Year Begins Kazakhstan	2021/2022		2022/2023		2023/2024	
	Sep 2021		Sep 2022		Sep 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	12719	12719	12811	12890	13600	13700
Beginning Stocks (1000 MT)	1475	1475	1491	1491	3095	3095
Production (1000 MT)	11814	11814	16404	16404	13000	12500
MY Imports (1000 MT)	2500	2500	3100	3100	2000	1800
TY Imports (1000 MT)	2500	2500	3100	3100	2000	1800
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	15789	15789	20995	20995	18095	17395
MY Exports (1000 MT)	8098	8098	10500	10500	10000	9500
TY Exports (1000 MT)	8455	8455	9862	10500	10000	9500
Feed and Residual (1000 MT)	1350	1350	2300	2300	1500	1500
FSI Consumption (1000 MT)	4850	4850	5100	5100	5100	5100
Total Consumption (1000 MT)	6200	6200	7400	7400	6600	6600
Ending Stocks (1000 MT)	1491	1491	3095	3095	1495	1295
Total Distribution (1000 MT)	15789	15789	20995	20995	18095	17395
Yield (MT/HA)	0.9288	0.9288	1.2805	1.2726	0.9559	0.969

(1000 HA), (1000 MT), (MT/HA)
 MY = Marketing Year, begins with the month listed at the top of each column
 TY = Trade Year, which for Wheat begins in July for all countries. TY 2023/2024 = July 2023 - June 2024

BARLEY

Production

FAS-Astana estimates barley production in MY 2023/2024 to be 2.7 MMT, a decrease of 8 percent from MY 2022/2023 and on par with USDA's official estimate (Table 2).

Consumption and Stocks

Barley consumption, which is mainly used for animal feed, is estimated at 1.9 MMT in MY 2023/2024, on par with USDA's official estimate. Barley consumption is expected to decrease from last marketing year, substituted by ample feed wheat given crop quality issues.

Trade

FAS-Astana estimates barley exports in MY 2023/2024 at 850,000 metric tons, due to lower interest from Iran and competition from Russian barley. Additionally, Russian barley is already present on the markets of Iran, Kyrgyzstan, and Uzbekistan, with Kazakhstan facing stiffer competition. The import restriction mentioned in the [Policy Update Section](#) of this report do not cover barley. And market experts expect that barley imports from Russia by trucks will continue in the next marketing year.

In marketing year 2022/2023 from July 2022 to May 2023, Kazakh barley was most actively exported to Iran, almost twice as high as the previous year (436,000 metric tons), China (426,000), and Uzbekistan (160,000 metric tons). For more information, please refer to Attachment 2.

Table 3. Barley Production, Supply, and Distribution, October 2023 Estimate

Barley Market Year Begins	2021/2022		2022/2023		2023/2024	
	Jul 2021		Jul 2022		Jul 2023	
Kazakhstan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	2157	2181	2176	2187	2500	2800
Beginning Stocks (1000 MT)	612	612	307	307	351	351
Production (1000 MT)	2367	2367	3287	3287	2700	2700
MY Imports (1000 MT)	55	55	332	332	325	325
TY Imports (1000 MT)	82	55	400	400	225	225
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	3034	3034	3926	3926	3376	3376
MY Exports (1000 MT)	427	427	1125	1125	850	850
TY Exports (1000 MT)	571	450	1100	1000	850	850
Feed and Residual (1000 MT)	2000	2000	2100	2100	1900	1900
FSI Consumption (1000 MT)	300	300	350	350	300	300
Total Consumption (1000 MT)	2300	2300	2450	2450	2200	2200
Ending Stocks (1000 MT)	307	307	351	351	326	326
Total Distribution (1000 MT)	3034	3034	3926	3926	3376	3376
Yield (MT/HA)	1.0974	1.0853	1.5106	1.503	1.08	1.1489

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

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Barley begins in October for all countries. TY 2023/2024 = October 2023 - September 2024

Attachments:

No Attachments