Required Report: Required - Public Distribution **Date:** October 24, 2024

Report Number: KZ2024-0011

Report Name: Grain and Feed Update

Country: Kazakhstan - Republic of

Post: Astana(Nur-Sultan)

Report Category: Grain and Feed

Prepared By: FAS Central Asia Staff

Approved By: Lucas Blaustein

Report Highlights:

Kazakh farmers are finishing harvest, having dealt with rains in early September and cold night temperatures in October that reduced overall quality but only marginally affected quantity. Kazakhstan's estimated wheat production is unchanged at 15.8 million tons in marketing year (MY) 2024/2025. Wheat exports are reduced to 9.0 million tons because of the on ongoing trade spat between Russia and Kazakhstan that has threatened Kazakh traders ability to export via Russia. Barley production is unchanged, estimated at 3.4 million tons and exports are likewise unchanged at 1.6 million tons. Most barley is being exported to other Central Asian countries or China and is more resilient to the ongoing trade issues with Russia.

EXECUTIVE SUMMARY

- Post estimates MY 2024/2025 wheat production as unchanged at 15.8 million tons and exports lower to 9.0 million tons. Poor weather during harvest impacted quality but did not significantly impact quantity. Exports are 1.5 million tons lower due to ongoing trade issues with Russia.
- Post estimates MY 2024/2025 barley production at 3.4 million tons and exports at 1.6 million tons due to the competitive price and no issues accessing traditional export markets. Weather issues did impact barley production but do not change Post's estimate.
- Farmers in Kazakhstan have noted bids are lower this harvest on quality concerns.
- Kazakhstan traders hope that low prices will be the cure for low prices and bring back demand from Iran and Azerbaijan, amid smaller production in Russia.
- The GOK has extended a ban on wheat imports from Russia for another six months and expanded the ban to include all modes of transportation. Russia has retaliated, banning Kazakh wheat and other products for import. Traders report having difficulty moving cargo through Russia, despite there being no transit ban.
- Kazakhstan continues to struggle with logistical challenges and access to international markets.

POLICY UPDATE

The government has approved restrictions on the import of wheat from all countries in all forms of transportation, including from EAEU members, except for transit or for movement between member states of the EAEU. Wheat may transit Kazakhstan but not end up in Kazakhstan. The order came into force on August 21, 2024, and is valid until December 31, 2024. This order is aimed at tightening restrictions on Russian origin wheat into Kazakhstan to relieve strong price competition during the fall harvest. Please refer to the decision, the corresponding Order of the Minister of Agriculture of the Republic of Kazakhstan dated August 19, 2024 No. 278 "On Certain Issues of Import of Wheat into the Territory of the Republic of Kazakhstan."

The media resources report that Russia asked Kazakhstan to suspend issuing phytosanitary certificates for tomatoes, bell peppers, sunflower planting seeds (originated from third countries) exported to Russia effective September 23, 2024. Russia's agricultural service, Rosselkhoznadzor, explained the total import ban was made due to increasing detections of quarantine objects.

On October 17, 2024, the Federal Service on Veterinary and Phytosanitary Surveillance (Rosselhkoznadzor) introduced additional import bans on wheat (soft and durum), lentils, and flaxseeds from Kazakhstan. The period of the restriction is not specified. While the restrictions do not cover the transit of above-mentioned products through Russian territory, some durum shipments

destined to Latvia are reported as stuck in Russia without any justification given. Flowers from Kazakhstan were also banned on October 21, 2024.

Regional officials, seeking to win favor with Kazakhstan's leadership, overestimated the country's grain harvest by as much as 3 million tons last year, according to the deputy prime minister. In a throwback to Soviet-era misinformation, Kazakhstan's grain crop was overstated by about 20 percent. The figures, including 2.1 million tons of wheat, were falsified by regional heads in a system that rewarded higher production. Now the government wants to correct the figures, as they're distorting the strengths and weaknesses of the Kazakh agricultural sector, as well as causing subsidies to be misallocated.

PRODUCTION

WHEAT

Post estimates wheat production in MY 2024/2025 at 15.8 million metric tons, unchanged from the August estimate. Very favorable summer weather helped produce a larger than average crop with fall rains and cold snaps affecting only quality.

Kazakhstan's grain harvest is expected to be finished by the end of October to early November. Late September data indicated 1.4 million tons of wheat qualified as milling quality, or 56 percent, feeding quality is reported at 28 percent and non-class is reported at 10 percent of production.

Low test weight and gluten content are posing challenges this year. Producers note that wheat containing 27 to 28 percent gluten is rarely available and they do not expect wheat with 28 to 30 gluten content to be available on the market this year at all due to weather related quality issues. Average test weight is reported at 700-730 grams per liter (hereinafter – g/L), while millers trade 760 to 780 g/L test weight. Additionally, buyers from Azerbaijan look for not less than 750 g/L, and other buyers look for 760 to 770 g/L test weight. However, sprout damage is less than last year at great relief to Kazakh traders.

BARLEY

The barley producers estimate the harvested area for barley at 2.27 million hectares and yields at 1.59 tons per hectares, producing 3.6 million tons of barley. However, dockage caused by rains in early September for barley is estimated at 110,000 tons, which will reduce marketable barley to 3.49 million metric tons. Based on the consensus with the market players Post estimates barley production in MY 2024/2025 at 3.4 million metric tons.

CONSUMPTION

Grain storage facilities in Kazakhstan are at 31 percent capacity as of October 2, 2024, and free storage capacity is available for roughly 9 million tons. Please, see Table 1 below.

Table 1. Grain Storages Load by Regions

	Storage capacity, thousand tons	Currently storing, thousand tons	Percent of load	Free storage capacity, thousand tons
Kazakhstan TOTAL	13,225,200	4,179,450	31%	9,045,749
Karaganda region	132,500	64,220	48%	68,249
East-Kazakhstan region	313,700	113,799	36%	199,900
North-Kazakhstan region	3,349,000	1,061,187	31%	2,287,812
Almaty region	62,600	2,000	3%	60,600
Kostanay region	3,031,900	1,078,515	35%	1,953,384
Akmola region	4,541,100	1,579,524	34%	2,961,575
Aktobe region	385,800	80,475	20%	305,324
Pavlodar region	277,300	64,156	23%	213,143
West-Kazakhstan region	634,800	68,968	10%	565,831
Abay region	199,500	25,048	12%	174,451
Astana city	243,000	41,553	17%	201,446
Almaty city	-	-	0%	-
Atyrau region	-	-	0%	-
Jambyl region	-	-	0%	-
Kyzylorda region	40,000	-	0%	40,000
Mangystau region	-	-	0%	-
Zhetysu region	14,000	-	0%	14,000
Ulytau region	-	-	0%	-
Turkestan region	-	-	0%	-
Shymkent city	-	-	0%	-

Source: Grain Receipts Digital Platform Qoldau

WHEAT

MY 2024/2025 wheat consumption is forecast as unchanged from last year due to continued strong demand from the processing industry. Feed and residuals are estimated at 2.0 million tons as farmers expect continued strong demand from China for feeding flour. More information on feeding flour is available on the Kazakhstan Grain and Feed July 2024 Report .

BARLEY

In MY 2024/25, amidst Kazakhstan's import wheat ban, barley consumption is expected to shift back to primarily being used for feed by local poultry farms. Therefore, FAS Central Asia estimates barley feed and residuals at 1.75 million tons. Like last year, plentiful feed quality wheat will be available, raising wheat in feed rations.

Since Kazakhstan's independence, the livestock sector has been systemically underinvested in, and therefore a modern feed industry is just beginning to develop. Most feed consumption currently could be described as "backyard feeding". There is only a handful of modern feedlots and Kazakhstan has a lack of feed nutritionists and laboratory infrastructure for feed quality testing. Barley in Kazakhstan is mainly used for feeding cattle, poultry, and other species. Barley is also traditionally used for human consumption as a side dish.

According to official statistical data as of September 1, 2024, 46 percent of the cattle belong to individual households, 44 percent are owned by family farms, and 11 percent are held by agricultural enterprises. Similar distribution exists with small ruminants, of sheep and goats: 41 percent are held by individual households, 53 percent are held by family farms, and 7 percent belong to agricultural enterprises.

Table 2. Cattle and Poultry Herds as of September 1, 2024

	2023	2024	Change, %
Cattle	3,911,963	4,641,083	19%
Including Dairy	1,977,163	2,359,265	19%
Sheep	11,051,850	12,911,595	17%
Goats	855,055	686,436	-20%
Pigs	320,655	314,442	-2%
Horses	2,378,037	2,606,125	10%
Camel	148,112	164,189	11%
Poultry	37,206,570	37,829,976	2%

Source: Bureau of National Statistics report

One of the largest international beer producers plans to expand its alcoholic and non-alcoholic drink production in Kazakhstan from 2.3 million gallons to 3.0 million gallons per year. The company plans to source malting barley locally and market its products to Kazakhstan, Uzbekistan, Kyrgyz Republic, Tajikistan and Armenia.

TRADE

An Update on Rail and Export Infrastructure

Most grain in Central Asia is shipped via rail. The Central Asian fleet of grain wagons totals 17,000 (including 12,000 grain hoppers owned by various private local owners) with an average age at 25 years, while a grain hoppers shelf life is limited to 30 years. Around 30 percent of grain hoppers are already more than 30 years old, and 62 percent of grain hoppers are between 21 to 30 years of age. The age of Kazakhstan's grain hopper fleet is already causing delays and lack of availability. It takes ten days for a train to cover the 2,117 kilometers from Kostanay (a major grain producing region in North Kazakhstan) to the Dostyk rail border with China.

On average, one wagon takes 25 days to complete a single turnaround (from origin to destination and back). The average load per wagon is 68 metric tons and the total wagon fleet can transport 1.150 million metric tons per month. Additionally, 1 million tons is shipped with containers. Besides the aging hopper cars, grain export terminals in the country remain a major bottleneck, capable of loading only 1.2 million tons of grain per months for both import and export.

Rail operators might call for wagons from Russia, if demand in Russia will go down. Unusual in the agricultural industry, Kazakh grain elevators do not operate 24/7 during Kazakhstan's peak fall shipping season, are off during the weekend and do not work overtime.

The Rail administration of Kazakhstan is continuing to mitigate challenges for the upcoming shipping season. The rail traffic at the border with China has increased significantly on the Dostyk-Alashankou and Altynkol-Khorgos. These stations are currently operating at maximum capacity, moving 28 million tons of all kinds of cargo, roughly the same as last year. That's why the rail administration is considering attempting to add another rail link at Dostyk-Mointy by 2025, which would quintuple the rail capacity between Kazakhstan and China. Another rail section between Aktoigay and Dostyk was partially launched in 2024. Across the border in the People's Republic of China, authroties are expanding the Alashankou station capacity and building a secondary rail spur. The current shipments with China are limited to 150,000-200,000 tons of grain per month, but based on the above could greatly expand in the coming years.

Another bottleneck is at the Saryagash rail border with Uzbekistan. A few years ago, during heavy traffic around 200 trains were left abandoned due to high demurrage costs. After negotiations between the two sides, Uzbek rail built an additional two rail lines, bringing the total to six. The Kazakh side also built a bypass route for rail traffic that did not need border inspections. These measures helped to increase traffic by 20 percent in 2024, or from 28 to 30 trains of all cargoes per day to 38 to 40 trains. On average, a train consisting of 42 wagons with grain from Kazakhstan's Kostanay region takes 3 to 4 days to reach Saryagash. Uzbekistan has 16 rail stations to receive shipments and take an average of 2 to 3 days to complete processing on a wagon of 15 to 20 cars.

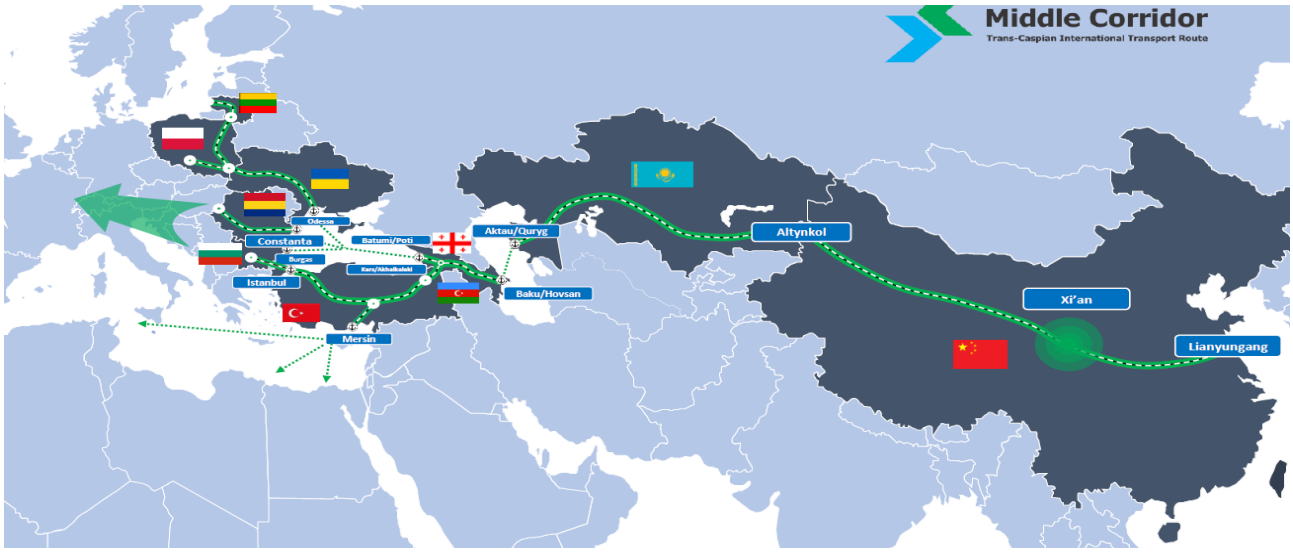
The Lugovaya rail border with the Kyrgyz Republic usually accepts up to 500,000 tons of grain exports from Kazakhstan to the Kyrgyz Republic annually. However, this situation has changed and now 450,000 metric tons are shipped from Russia and only 50,000 is shipped from Kazakhstan. In MY 2024/2025 traders hope that Kazakh wheat will be competitive to the Kyrgyz market.

Kazakhstan's grain ports on the Caspian Sea can handle up to 1.5 million tons of wheat and barley per annum. However, the demand from Iran is now limited due to Russian competition and very little grain is being exported via the Caspian.

The rail costs of shipping grain to Central Asia vary from $36 to $67 per ton, that is $37 per ton to Kyrgyz Republic, $43 per ton to Tajikistan, $43 per ton to Uzbekistan, $44 per ton to Turkmenistan, and $36 per ton via ocean to Iran through the Caspian Sea. Rail shipping costs to China are on average $43 per ton. Higher rail costs are reported to Azerbaijan at $62 per ton, to Georgia at $64 per ton, and to the Baltic Sea at $70 per ton.

Kazakhstan continues to develop the transit potential between China and Europe through the Middle Corridor. Thanks to the Middle Corridor, a train from Linguan (China) can travel through the port of Aktau on the Capsian Sea, to Azerbaijan, Georgia, Turkey and reache Europe within 13-23 days, or 9,400-11,000 kilometers. The trains are able to be loaded full onto specialized barges that transit the Caspian. In comparison, the sea route from Linguan (China) via Egypt to Istanbul (Turkiye) takes 35-45 days, or 16,400 kilometers. Similarly, the sea route bypassing Africa, from Linguan (China) via Capetown (SAR) to Istanbul (Turkiye) takes 60-65 days, or 30,500 kilometers. As of August 2024, 2.2 million tons of cargo had taken the Middle Corridor route, 27 percent more from the same period last year.

Map. Middle Corridor Rail from China to Europe



WHEAT

A lower wheat quality outlook, logistical challenges, and trade issues with Russia lead Post to lower its wheat export estimate in MY2024/2025 to 9.0 million metric tons. Although Kazakhstan has introduced a complete ban on wheat imports from Russia, Post estimates wheat imports at 500,000 metric tons as broken wheat fall under non-restricted HS codes and will continue to be imported.

The major regions in Russia which ship wheat to Kazakhstan are Siberia, Volga and the Urals. Although Kazakhstan has restricted wheat imports from Russia (please see section Policy section of this report) broken wheat qualifies as a different HS code and keeps entering Kazakhstan as a component for further blending with barley. Most of this is then being re-exported to China.

Kazakh exporters allege that the stealing of grain shipments from sealed wagons when transiting through the territory of Uzbekistan has turned into a regular practice. When the wagons reach the destination, the actual weight and contract weights have an average one-ton discrepancy, although every case if different.

The Food Contracting Corporation has announced the final price for spring 2023 contracts, farmers received pre-payment for wheat production as follows: wheat with gluten content 23% and higher – 85,000 tenge ($177), wheat with gluten content 25% and higher – 90,000 tenge (($187), wheat with gluten content 27% and higher – 100,000 tenge ($208), with no insects are accepted and a 12 percent VAT to apply.

Table 3. The Food Contracting Corporation Prices

	Test weight, g/L (not less than)	Gluten content, % not less than	The gluten quality, units, IDK (Index for gluten deformation)	Moisture content, % no more	Foreign matters, % no more
Wheat grade 3	710	23	20-100	14	2
Wheat grade 3	730	25	20-100	14	2
Wheat grade 3	750	27	20-100	14	2
Wheat grade 4	710	21	20-100	14	2
Wheat grade 4	700	18	20-100	14	2
Wheat grade 5	700	18	20-100	14	2
Barley grade 2	650	-	-	14	2

Table 3. The Food Contracting Corporation Prices Cont'd.

	Grain foreign matters, % no more	The protein content, % to dry matter (no more)	Falling number, sec (not less)	Price, per 1 ton	
				With VAT (12%)	Without VAT (12%)
Wheat grade 3	5	11.5	160	85,000	75,893
Wheat grade 3	5	12.5	200	90,000	80,357
Wheat grade 3	5	14.0	250	100,000	89,286
Wheat grade 4	5	10.5	100	75,000	66,964
Wheat grade 4	5	9.5	80	65,000	58,036
Wheat grade 5	7	9.5	-	60,000	53,571
Barley grade 2	7	-	-	50,000	44,643

Source: Food Contracting Corporation

The Food Contracting Corporation also announced that it can help to consolidate batches of 1,000 metric tons wheat and barley to help small farmers market their products under the following conditions: wheat (test weight not less than 710 g/L, gluten not less than 23%, falling number not less than 160, protein not less 11.5%, moisture content no more than 14%, foreign matters no more than 2%), barley (test weight not less than 630g/L, moisture content no more than 14.5%, foreign matters not less than 2%).

BARLEY

Due to draught situation in Russia the export potential of barley from Russia to Iran is expected to be lower and Kazak barley exporters plan to regain Iranian market share in MY2024/25. The barley production outlook is also lower in the European Union and Ukraine, although traders do not expect big shipments from Kazakhstan headed West. Shipments to European Union are mainly transiting Russia to reach Black Sea ports and the Baltic Sea.

China is now inquiring for barley from Kazakhstan and traders are optimistic they will execute on 50,000 tons of barley exports per month to China. The first shipments of barley to Iran at 140,000 tons during September 2024 are already reported by the Ministry of Agriculture.

Based on abovementioned factors Post estimates barley exports in MY2024/2025 at 1.6 million metric tons.

Production, Supply, and Distribution, October 2024 Estimate

WHEAT

Wheat	2022/2023		2023/2024		2024/2025	
Market Year Begins	Sep 2022		Sep 2023		Sep 2024	
Kazakhstan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	12811	12890	13130	13130	13000	13200
Beginning Stocks (1000 MT)	1491	1491	4221	4221	3332	2832
Production (1000 MT)	16404	16404	12111	12111	16000	15800
MY Imports (1000 MT)	4000	4000	2500	2500	1000	500
TY Imports (1000 MT)	4000	4000	2347	2350	1000	500
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	21895	21895	18832	18832	20332	19132
MY Exports (1000 MT)	10874	10874	8000	8500	10500	9000
TY Exports (1000 MT)	9862	9862	8409	8500	10500	9000
Feed and Residual (1000 MT)	1800	1800	2500	2500	2000	2000
FSI Consumption (1000 MT)	5000	5000	5000	5000	5000	5000
Total Consumption (1000 MT)	6800	6800	7500	7500	7000	7000
Ending Stocks (1000 MT)	4221	4221	3332	2832	2832	3132
Total Distribution (1000 MT)	21895	21895	18832	18832	20332	19132
Yield (MT/HA)	1.2805	1.2726	0.9224	0.9224	1.2308	1.197

(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 2024/2025 = July 2024 - June 2025

OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query

BARLEY

Barley	2022/2023		2023/2024		2024/2025	
Market Year Begins	Jul 2022		Jul 2023		Jul 2024	
Kazakhstan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	2176	2187	2425	2425	2250	2270
Beginning Stocks (1000 MT)	313	313	413	413	202	202
Production (1000 MT)	3287	3287	2614	2614	3400	3400
MY Imports (1000 MT)	376	376	300	325	250	200
TY Imports (1000 MT)	429	429	250	250	250	200
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	3976	3976	3327	3352	3852	3802
MY Exports (1000 MT)	1113	1113	1225	1200	1600	1600
TY Exports (1000 MT)	1253	1253	1250	1300	1500	1500
Feed and Residual (1000 MT)	2100	2100	1600	1650	1750	1750
FSI Consumption (1000 MT)	350	350	300	300	300	300
Total Consumption (1000 MT)	2450	2450	1900	1950	2050	2050
Ending Stocks (1000 MT)	413	413	202	202	202	152
Total Distribution (1000 MT)	3976	3976	3327	3352	3852	3802
Yield (MT/HA)	1.5106	1.503	1.0779	1.0779	1.5111	1.4978

(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 2024/2025 = October 2024 - September 2025

OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query

Attachments:

No Attachments