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Global Agricultural Information Network

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Kazakhstan - Republic of

Grain and Feed Update

Kazakhstan Grain and Feed January Update

Approved By:

Staff

Prepared By:

Robin Gray

Report Highlights:

FAS/Astana estimates wheat production in Kazakhstan in MY2016/2017 at 15.0 MMT, 1 MMT lower than the previous Post report. This estimate is based on Kazakhstani Statistical data released on February 2, 2017. Similarly, barley production in MY2016/2017 is estimated at 3.2 MMT. Total grain production in MY 2016/2017 is estimated at 20.6 million metric tons (MMT), 10 percent higher than in 2015 and total wheat production is estimated at 15 MMT, 9 percent higher than last year. Barley production in 2016 is estimated at 3.2 MMT, 21 percent higher than last year.

Post:
Astana

Author Defined:
PRODUCTION

FAS/Astana estimates wheat production in Kazakhstan in MY2016/2017 at 15.0 MMT, 1 MMT lower than Post's previous report. This estimate is based on Kazakhstani Statistical data released on February 2, 2017. Similarly, barley production in MY2016/2017 is estimated at 3.2 MMT. The Kazakhstani Statistical Agency released grain production data for Kazakhstan for 2016, with total grain production at 20.6 million metric tons (MMT), 10 percent higher than in 2015. Total wheat production for MY 2016/2017, including both winter and spring wheat, is reported at 14.985 MMT, 9 percent higher production in 2015, and barley production is 3.231 MMT, 11 percent more than barley production in 2015. The lost area in 2016 for spring wheat is reported at 42,426 hectares, which is only 0.4 percent of the planted area. Please, see Table 1 below.

Table 1. Kazakhstan Sown and Harvested Area in CY 2016, Hectares

	Sown area, hectares		Harvested area, hectares	
	2016	2016 to 2015, %	2016	2016 to 2015, %
Winter and spring wheat	12,436,971.8	105.7	12,373,452.0	106.9
Winter and spring barley	1,901,916.8	89.8	1,894,068.3	93.0
Rice	94,837.5	96.0	94,318.5	95.5
Sugar beats	12,584.3	136.9	12,085.3	161.3
Oilseeds	2,035,722.9	101.3	1,983,913.5	103.4
Cotton	109,606.9	110.4	109,600.9	111.1
Feeding crops	3,485,200.3	99.7	18,662,325.1	95.2

Source: [Kazakhstan Statistical Service](#)

The Statistical Service reports that production increased in CY 2016 for nearly all crops. The increase in production over CY 2015 ranged from 5 to 20 percent. Also reported yields show growth for all crops, except cotton. Please, see Table 2 below.

Table 2. Kazakhstan Grain Production in CY 2015, MMT

	Production, MMT		Yield, MT/hectare	
	2016	2016 to 2015, %	2016	2016 to 2015, %
Winter and spring wheat	14.985	109.0	1.21	101.9
Winter and spring barley	3.231	120.8	1.71	129.9
Rice	0.448	106.1	4.75	111.1
Oilseeds	1.902	122.9	0.96	118.9
Cotton	0.287	104.7	2.62	94.2

Source: [Kazakhstan Statistical Service](#)

CONSUMPTION

MY 2016/2017 wheat consumption is estimated to increase 6 percent over the previous year. This is largely due to the poor quality wheat crop experienced this year and the resulting increasing use of wheat for feed.

Wheat FSI consumption remains flat at 4.8 MMT as no major projects for industrial wheat processing were announced over the last year.

As of January 1, 2017, barley consumption is up 30 percent. This increase is primarily due to an increased use of barley for both feeding and food. MY 2016/2017 barley FSI consumption remains flat at 0.3 MMT as no major projects for barley industrial processing were announced. Post's Feed and Residual estimate for barley is 100,000 MT higher than the previous year as the sector is experiencing a lack of good quality barley available on the market.

Please, see Chart 1 and 2 below.

Chart 1. Wheat Consumption Structure as of January 1, 2017

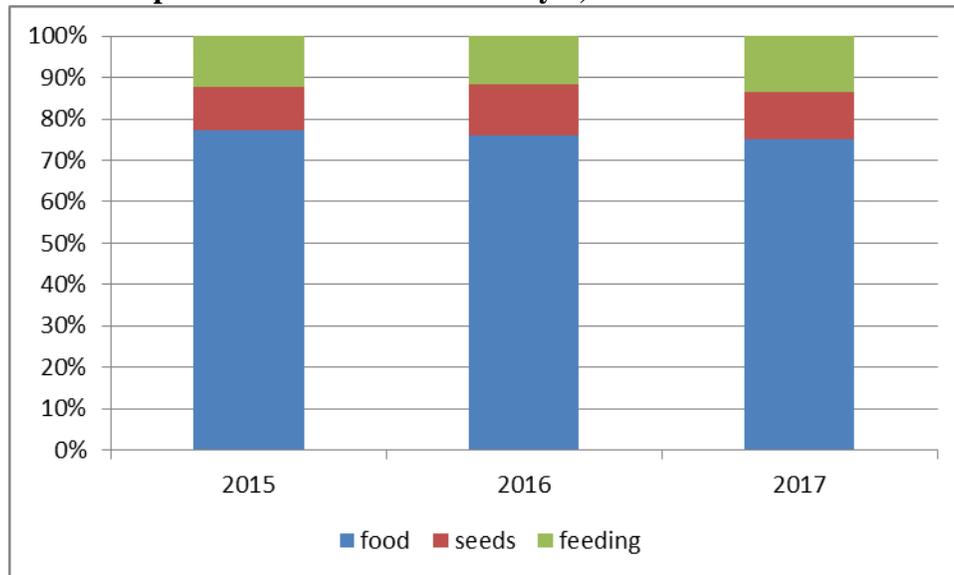
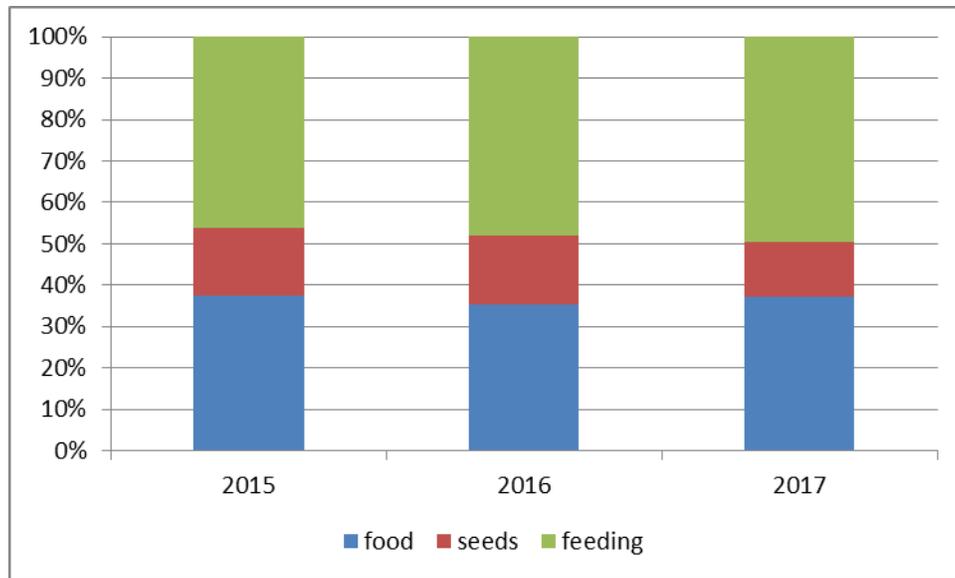


Chart 2. Barley Consumption Structure as of January 1

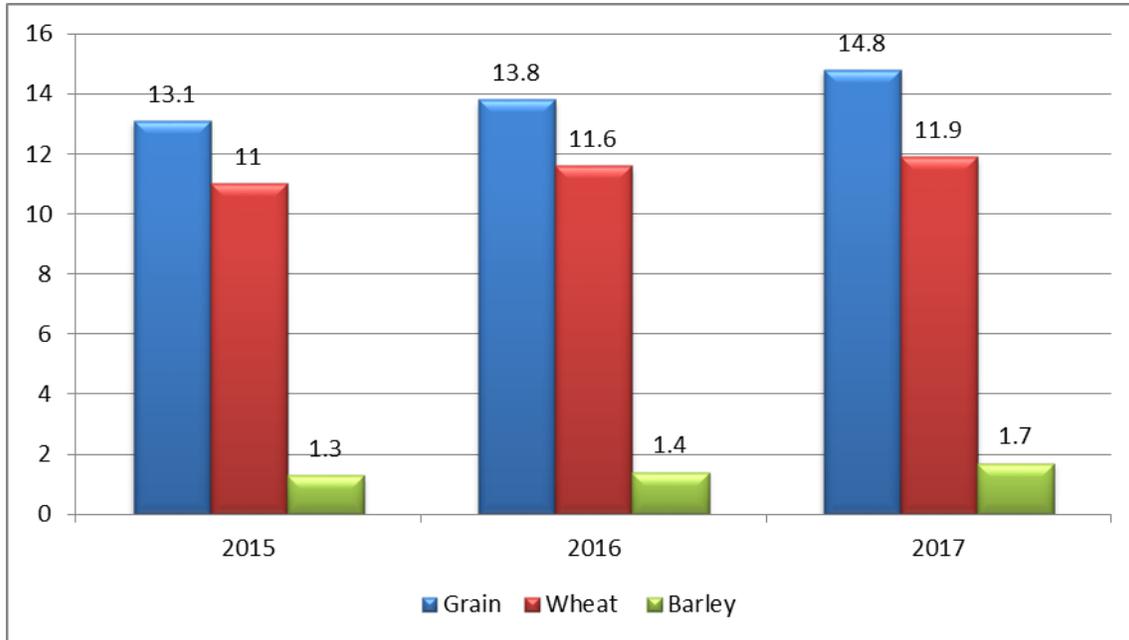


STOCKS

According to the Kazakhstani Statistical Service, Kazakhstan’s grain stocks, as of January 1, 2017, were at 14.8 MMT, including 11.9 MMT of wheat. The 2017 stocks are slightly higher than in 2016. Similarly the three-year trend shows slight and steady growth of stocks for both wheat and barley since 2015. Please, see Chart 3 below.

The media has reported on new grain storage projects in northern Kazakhstan, including a grain storage facility in Pavlodar region valued at \$2.5 million. The elevator is planned for commissioning in late 2017. The capacity of the facility is 60 tons of grain per hour and the storage capacity is 30,000 tons of grain. Another grain storage facility is reportedly under construction in Kostanai and is scheduled for completion in October 2017. The cost of the project is reported at \$79 million and it will have a capacity of 8,000 tons.

Chart 3. Stocks of Grain and Wheat as of January 1, MMT



Data Source: Kazakhstani Statistical Agency

TRADE

FAS/Astana estimates wheat exports in MY 2016/2017 at 7 MMT due to lower production levels. Despite the poorer quality this year reports indicate that export demand remains steady. MY 2016/2017 barley exports are estimated at 1 MMT based on a larger production estimate.

In MY 2016/2017, Kazakhstan's grain exports were primarily destined for Central Asian countries, particularly Iran and Afghanistan. Anecdotally, in CY 2016 a grain terminal on the Caspian Sea, exported 523,000 tons of grain through the Aktau seaport, an increase of 4.3 percent year-on-year. In 2015, the terminal handled over 501,400 tons of grain.

Kazakhstan's exports to China continue to grow and Italy and Switzerland have resumed purchases of Kazakhstani wheat this season. In October 2016, Italy purchased 34,300 tons of durum wheat.

Uzbekistan has continued its purchases of Kazakhstani wheat under an agreement which allows for indefinite postponement of up to 80 percent of the contract. Please, see Table 3 below.

Table 3. Kazakhstan Wheat Exports in CY2016, MT

	01/20 16	02/20 16	03/20 16	04/20 16	05/20 16	06/20 16	07/20 16	08/20 16	09/20 16	10/20 16	11/20 16	12/20 16
World	327,6 70	334,5 02	328,3 40	324,2 70	311,3 30	274,1 52	206,6 60	110,4 77	354,5 52	452,6 22	415,1 18	361,9 25
Uzbekistan	128,9 18	148,6 91	99,22 1	103,7 61	114,8 39	120,7 77	105,6 64	56,07 5	175,4 44	219,5 07	241,1 88	157,4 89
Tajikistan	61,98 5	72,21 4	71,43 5	86,92 9	86,26 3	79,95 5	71,34 6	25,45 6	117,4 90	118,0 06	98,95 6	129,4 51
Italy	5,006	4,993	20,00	10,50	15,24	-	10,99	-	-	34,33	25,11	29,97

			2	4	7		1			4	0	7
Afghanistan	30,111	13,012	30,635	21,479	6,664	2,178	4,365	8,071	34,317	55,221	23,649	24,080
China	29,559	24,576	45,535	49,805	36,808	28,060	10,942	8,922	17,281	8,595	8,049	13,035
Azerbaijan	11,682	648	3,202	1,869	-	-	-	-	3,000	10,000	13,561	3,571
Sweden	-	7,996	-	-	6,600	8,363	3,150	3,300	-	2,879	-	3,300
Finland	-	-	-	-	-	-	-	-	-	1,000	1,525	1,000
Germany	-	-	-	-	-	-	-	-	-	-	-	21
Iran	50,346	56,158	46,973	38,428	21,062	9,150	-	5,573	-	-	-	-
Netherlands	-	4,048	5,951	-	-	-	-	-	-	-	-	-
Norway	2,800	-	-	-	-	-	-	-	-	-	-	-
Poland	3,321	136	2,846	998	3,714	3,898	202	-	-	-	-	-
Tunisia	-	-	-	-	-	5,210	-	-	-	-	-	-
Turkey	3,942	2,030	1,540	10,498	15,135	12,001	-	3,080	7,020	3,080	3,080	-
United Arab Emirates	-	-	1,000	-	-	-	-	-	-	-	-	-
United Kingdom	-	-	-	-	-	4,560	-	-	-	-	-	-
United States	-	-	-	-	5,000	-	-	-	-	-	-	-

Source: Global Trade Atlas

In general traders have noted the lack of good quality wheat from both Russia and Kazakhstan. Moreover, they note that of Kazakhstan's grain trading partners, only Afghanistan has available financing, enabling them to dictate prices. Other Central Asian buyers who lack cash are forced to follow the prices set by deals between Kazakhstan and Afghanistan.

Wheat, barley and wheat flour continues within EAEU showing mainly Kazakh exports to Russia and Kyrgyzstan as well as 17,780 tons imports of wheat from Russia and 1,897 tons of wheat flour. Please, see Table 4 below.

Table 4. Kazakhstan grain trade within EAEU countries, Jan-Nov 2016, MT

		Exports	Imports
Wheat	Kyrgyzstan	212,477	-
Wheat	Russia	378,474	17,780
Barley	Russia	65,528	2,656
Wheat flour	Kyrgyzstan	47,013	-

Wheat flour	Russia	4,656	1,897
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Source: [EAEU trade statistics](#)

Some of the grain expeditor companies notice the following problems during the last five years when they inspect grains exports:

- The average gluten content has decreased from 26-28 percent in MY 2012/2013 to 18-22 percent in MY 2016/2017;
- The average protein content has also decreased from 13-14 percent in MY 2012/2013 to 11.5-12 percent;
- Nature weight has decreased from 780-800 grams per liter in MY2012/2013 to 680-740 grams in MY 2016/2017;
- The falling number has decreased from 350-400 seconds to 200-220 seconds;
- The volume of grain affected with fungous diseases, like Septoria spot, seedling disease, and Smut has increased; and
- During MY 2016/2017, the share of area in Kazakhstan affected with Russian knapweed (*Centaurea picris*) has increased.

Table 5. Kazakhstan Wheat Quality Comparison in 2016 and 2015, %

	Soft wheat		Durum wheat	
	2016	2015	2016	2015
Class 1	0.0	0.3	0.0	0.0
Class 2	0.0	0.6	2.0	0.1
Class 3	43.8	61.1	23.6	24.6
Class 4	41.3	23.8	59.4	60.0
Class 5	11.5	10.0	13.0	12.5
Non-class	3.4	4.2	1.9	2.8

Source: margin.kz

Expeditor companies note the following explanations for the above mentioned problems:

- Climate change in the grain producing areas;
- Issues related to climate change require immediate adjustments each season;
- Climate change changes favors winter crop production; and
- Farmers lack good quality meteorological data.

Additionally, expeditors note farmer-dependent reasons for the above mentioned problems:

- Lack of good seeds and seeds selection;
- Development of new varieties is almost non-existent;
- In the best of circumstances, farmers use second reproduction seeds, but more often they use seeds from last season's wheat crop;
- Seeds are not treated before planting because no subsidy is provided to support the practice;
- Where sowing time is delayed (sharp continental areas), farmers should use crop varieties with a shorter vegetation period;
- Generally farmers don't follow crop rotation recommendations or utilize newer technology,

damaging soil fertility; and

- The Government has decreased the quality and quantity of subsidies.

The 2016 spring planting season was delayed, which resulted poor mature of the grains and all the quality characteristics, like gluten content, falling number, nature weight have decreased dramatically. The 2016 harvest was affected with the carry-over stocks from the previous years on the storages and this resulted outside smell and storage pests. At the same time grain storages mix all kinds of grain, which makes the whole exporting party unacceptable.

At the same time the importing countries require their own quality standards, which don't match Kazakh and EAEU ones. For instance, Iran, Europe and China does not accept oatgrass, Russian knapweed (*Centaurea picris*), *Artemisia*, *Fusarium* blight, grain affected with *Eurygaster*, tick. And those countries pay more attention to protein, gluten, nature weight, falling number and bakery power. Meanwhile Central Asian counties pay more attention to bakery qualities of the wheat, which sometimes exceed Kazakhstani standards for class 3 wheat. Also grain storages accept grain according to Kazakh system of grain classes and they could not ship properly the required quality of grain. Grain storages supposed to make fumigation of their facilities through the licensed companies; however they do it by their own resulting presence of storage pests.

PRICES

The Kazakhstani government established the price for grain supplied to state reserves. In MY 2016/2017, the Food Contracting Corporation (FCC), the state-run operator of grain procurement, announced plans to procure sunflower, flax, rapeseed and soybeans, in addition to wheat and barley. Historically, the FCC has only procured wheat and barley.

Please, see Table 6 below.

Table 6. Purchasing Price for wheat *Triticum aestivum* L. class 3 and 4 by Food Contracting Corporation, USD per metric ton

	Wheat <i>Triticum aestivum</i> L. class 3			Wheat <i>Triticum aestivum</i> L. class 4	
Price per metric ton					
For VAT payers	147	160	175	114	120
For VAT non-payers	132	143	156	102	107
Quality indicators					
Test weight, g/l, not less	710-730	740-750	760	700	700
Gluten content, %, no more	23	24-25	26-27	18	20

than					
Protein, % for dry matter, no more than	12,0	13	14,5 and more	9,5	11
Moisture, %, not more	14	14	13,5	14	14
Foreign matter, %, no more than	2	2	2	2	2
Foreign grain, %, no more than	4,5	4,5	4,5	5	5
Falling number, no more	200	200	250	100	100
Infection rate	Not acceptable			Not acceptable	
Other qualities	As per standard ST RK 1046-2008 For wheat <i>Triticum aestivum</i> L. class 3			As per standard ST RK 1046-2008 For wheat <i>Triticum aestivum</i> L. class 4	

POLICY

The New Draft Agricultural Development Program for 2017-2021 will keep crop diversification as the main strategy and envisages a resulting drop in the wheat crop of 20 percent, from 12.4 million hectares in 2016 to 10.0 million hectares in 2021. Area not planted with wheat will be used for barley, oats, corn for grain, oilseeds and other crops in order to supply more feedstuff for the livestock sector. To encourage this, the Ministry of Agriculture is setting target indicators for area by crop and by region.

The Ministry recognizes that crop diversification will move slowly and that the share of crop for industrial processing is also very low. Additionally, the livestock sector lacks a sufficient supply of good feedstuff. Starting in 2017, loans for spring sowing works will be less expensive for agricultural producers and will be available through agricultural financial institutions at a percentage rate of 3 percent. In previous years, loans were only available at a 7.4 percent interest rate. The Ministry of Agriculture maintains that the overall agricultural support program budget will remain flat and will not require additional funds.

Crop Subsidies

The new Agricultural Development Program for 2017-2021, designed at the end of 2016 has restructured the subsidies and now more support will be provided to crops industrial processing sector, mainly to process the oilseeds crops. Specifically:

- Per-hectare subsidies have remained only for the production of sugar beets, cotton, rice and feed crops;

- Subsidies for seed breeding will continue;
- Per-hectare subsidies for all other crops (wheat, oilseeds, barley, potatoes, vegetables etc.) have been cancelled; and
- Oilseeds, sugar beets and rice will only enjoy a per-ton subsidy for industrial processing.

The Ministry of Agriculture has reported that the main reason for discontinuing per-hectare subsidies was because they found them to be ineffective in encouraging crop diversification. For example, at its height, wheat production reached 60 percent of Kazakhstan’s total crop production, while scientists recommended that the maximum beneficial level would be 45 percent.

As a result, the Ministry of Agriculture restructured the crop subsidy program away from a per-hectare subsidy to a subsidy based on the volume of crops produced for industrial processing. The Ministry of Agriculture has reported that the new subsidy program is designed to encourage production and processing of feedstuffs, rice, oilseeds, sugar, molasses and raw cotton. The Ministry anticipates that with this approach oil crushing facilities will process domestically produced crops and will increase Kazakhstani vegetable oil production from 283,000 tons in 2015 to 460,000 tons in 2021. For example, in 2015 oil produced from the crushing of domestically produced crops reached only 29 percent of Kazakhstan’s total oil production. The Ministry expects that with the new subsidy regime, by 2021 the level of oil produced from crushing of domestically produced crops will reach 60 percent of total Kazakhstani oil production. For instance, oilseeds (sunflower and oilseeds) processing plant worth \$2.7 million was placed into operation in December 2016. The plant will produce bottled vegetable oil and rapeseed oil and meal to be used as feed in the Kazakhstani poultry and livestock sector. The plant will process 120 tons of seeds per day to make 40-50 tons of oil. Such a result is expected to decrease Kazakhstan’s vegetable oil imports from 40 percent to 19 percent.

FCC plans to expand its procurement function to include oilseeds and oilseed processed products in its exports portfolio, a new activity for the FCC. Therefore, in the near future the FCC plans to promote exports of not only wheat and barley, but also oilseeds.

The Kazakhstani Ministry of Agriculture, [on its website](#), placed the database of the agricultural crops and hybrid seeds (winter, spring crops and oilseeds), as well as the country-wide suppliers of those seeds, for the farmers’ convenience.

NOTE: The National Bank of Kazakhstan Exchange Rate as of January 23, 2017: U.S. Dollar/331.87 Tenge

PS&D

Wheat Market Begin Year	2014/2015		2015/2016		2016/2017	
	Sep 2014		Sep 2015		Sep 2016	
Kazakhstan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11923	11923	11571	11571	12000	12437
Beginning Stocks	1988	1988	3245	3245	2559	2631

Production	12996	12996	13748	13748	16500	15000
MY Imports	600	600	66	138	60	60
TY Imports	600	600	66	138	60	60
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	15584	15584	17059	17131	19119	17691
MY Exports	5539	5539	7600	7600	8500	7000
TY Exports	5507	5507	7600	7600	8500	7000
Feed and Residual	2000	2000	2100	2100	2200	2100
FSI Consumption	4800	4800	4800	4800	4800	4800
Total Consumption	6800	6800	6900	6900	7000	6900
Ending Stocks	3245	3245	2559	2631	3619	3791
Total Distribution	15584	15584	17059	17131	19119	17691
(1000 HA) ,(1000 MT)						

Barley	2014/2015		2015/2016		2016/2017	
	Jul 2014		Jul 2015		Jul 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Begin Year						
Kazakhstan						
Area Harvested	1909	1909	2038	2038	1850	1894
Beginning Stocks	282	282	238	238	109	109
Production	2412	2412	2675	2675	2700	3231
MY Imports	27	27	0	0	10	10
TY Imports	28	28	0	0	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2721	2721	2913	2913	2819	3350
MY Exports	483	483	804	804	700	1000
TY Exports	476	476	776	776	700	1000
Feed and Residual	1700	1700	1700	1700	1700	1800
FSI Consumption	300	300	300	300	300	300
Total Consumption	2000	2000	2000	2000	2000	2100
Ending Stocks	238	238	109	109	119	250
Total Distribution	2721	2721	2913	2913	2819	3350
(1000 HA) ,(1000 MT)						