

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Kazakhstan COVID-19 Updates and Impacts

**Country:** Kazakhstan - Republic of

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

**Report Category:** Agricultural Situation, Agriculture in the Economy, Agriculture in the News, Trade Policy Monitoring

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**Report Highlights:**

Kazakhstan has started unwinding many COVID-19 restrictions, ending the state of emergency and planning for an end to export restrictions. However, many travel restrictions remain in place, particularly in hard-hit cities such as Almaty and Nur-Sultan. The full economic impacts of the crisis remain to be seen. The Kazakhstani government has implemented policies to keep food prices low and support agriculture, though exchange rates may make imported inputs more expensive in the immediate term.

## General Information

On May 11, Kazakhstan officially ended its state of emergency, first declared in late March. However, this is primarily an administrative change, and many local restrictions remain in place. For example, Nur-Sultan and Almaty remain quarantined with the exception of limited domestic flights. Some businesses in the cities are beginning to open, with restaurants with under 30 seats approved to resume operations on May 18 in Nur-Sultan.

## Export Quotas to Be Eliminated in June

The Kazakhstani Ministry of Agriculture [announced](#) that it plans to remove export quotas for staple products, effective June 1. The ministry implemented quantitative export restrictions on a variety of products in April and May, citing concerns about ensuring adequate supply for the domestic market (see [KZ2020-0005](#)). Though quota volumes for wheat and flour in April appeared low, the quota was expanded in May. The ministry has [re-announced](#) the availability of May wheat quotas [multiple times](#), indicating that the full quota volume was not assigned. Quota recipients were also required to supply set volumes of those products to the domestic market at guaranteed prices. Besides wheat and flour, sunflower products, potatoes, and a variety of other vegetables have faced export limits.

According to a Ministry of Agriculture [notice](#), export bans on certain vegetables such as cabbage were implemented on March 22 and quickly transitioned to a quota system. These were removed in mid-April as it became clear that domestic stocks were sufficient. The ministry noted a precipitous decline in demand for cabbage, both domestically and abroad (primarily in other EAEU countries), that resulted in excess supplies. As a result, regional governments were [instructed to purchase](#) cabbage from affected farmers.

## Spring Planting Largely Unaffected by COVID-19

Despite some hiccups related to quarantine restrictions, spring planting efforts appear to be proceeding normally. The Ministry of Agriculture publishes regular updates on planting progress in the major production areas, and there have not been any reports of significant issues. The government, including President Tokayev, has consistently stressed the importance of ensuring a successful planting season.

## Some Industries Receive Subsidies to Address COVID-19 Impact

Besides the cabbage purchases mentioned above, the Ministry of Agriculture has announced additional supports for some agricultural subsectors. Of particular interest, the ministry reversed an earlier decision to eliminate specific subsidies for the egg sector (see [KZ2020-0003](#)). The renewed program will provide a 1.5 KZT (0.0035 USD) subsidy per egg (reduced from 3 KZT previously).

Though many news articles have highlighted loans and other recent support to farmers, most of this support appears to be issued under Kazakhstan's normal agricultural programs.

## **Food Price Inflation Concerns Trigger Lowered Tax Rates**

Kazakhstan has long controlled prices of certain staple food items, such as basic loaves of bread. As part of its COVID-19 response, the government created a panel to create ceiling prices for products including flour, bread, pasta, buckwheat, rice, beef, eggs, and sunflower oil. To help control prices, the Ministry of Finance ordered that food products face reduced VAT (from 12 percent to eight percent) and eliminated certain customs duties through October 2020.

Kazakhstan also maintains a system of Stabilization Funds in each region, which purchase staple items and re-sell them to supermarkets to guarantee supplies and avoid significant price changes. No significant shortages have to date been reported in Kazakhstan's major cities, though some Stabilization Funds reported depletion of their existing stocks during the quarantine.

Of note, the Kazakhstani tenge depreciated by over 15 percent against the dollar in March, due to a drop in oil prices and concerns related to the pandemic. Though it has since regained some of these losses, currently imports may be relatively more expensive than prior to March.

## **Logistical Issues Cause Delays**

Though travel and quarantine restrictions generally do not apply to suppliers of critical supplies like food, there have been reports of logistical delays as a result of the COVID-19 crisis. In particular, customs brokers report significant delays at most of the country's main border crossings. Despite this, there has not been an observable impact on food availability to date. Kazakhstan intends to develop a chain of food logistics hubs throughout the country, but this remains a long-term effort.

## **Attachments:**

No Attachments.