

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Kazakhstan - Republic of**

**Post:** Astana

### **Kazakhstan's Cattle Sector Beginning to Expand**

**Report Categories:**

Livestock and Products

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**Report Highlights:**

Kazakhstan's cattle sector is beginning to experience stronger growth, in part due to large-scale Government support measures. The Government of Kazakhstan has a goal of turning the country into a major beef exporter by 2020, and has directed large amounts of financing to the sector. This has already led to increased investment in cattle production facilities and greater imports of live cattle, including from the United States.

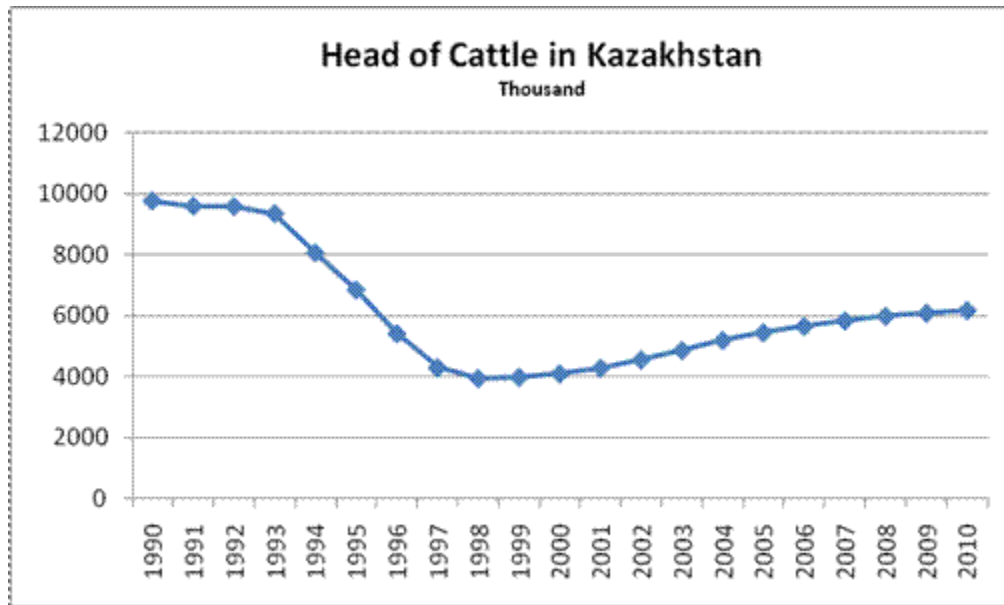
## **General Information:**

### **Executive Summary**

Kazakhstan's cattle and beef production is continuing to recover from the collapse of the Soviet Union, and is being supported by very large-scale government financing. The Ministry of Agriculture has laid out a plan for "The development of beef export potential for Kazakhstan". This plan is separated into two phases, with the first phase covering 2011-2015, and calling for the rapid expansion of the number of high-yielding breeding cattle in Kazakhstan. The second phase covers 2016-2020, and calls for the development of beef exports, with goals of 60,000 metric tons of exports by 2016 and 180,000 metric tons by 2020. In order to meet these goals, the proposal envisions large-volume importation of breeding stock to improve the genetics of the cattle in Kazakhstan. It also envisions the establishment and expansion of commercial cattle farms and ranches (including large-scale feed lots), the developing of more meat processing facilities and improved management of pastures and feed production. KazAgro, the main agricultural financing entity of the Government, recently estimated lending of up to \$900 million through 2015 for the development of the sector. The government has supported this proposal by huge outlays of money to the sector both in the form of subsidies, as well as discounted credit terms. These government support programs have already begun to have a significant impact as live cattle imports have surged, and a number of large commercial cattle production facilities have recently been established.

### **Production**

Kazakhstan's beef production (and exports) declined rapidly following the break-up of the Soviet Union and the removal of large-scale government subsidies and collapse of government-owned farms (SOVKHOZs). According to the Kazakhstan Statistics Agency, in 1992 the cattle population in Kazakhstan was 9.5 million head, and this number fell all the way to below 4 million head by 1999. Since that time there has been a gradual recovery and at the beginning of 2011 there were 6.2 million head.



Source: Kazakhstan Statistics Agency

Another change which occurred as a result of the collapse of the SOVKHOZ system is livestock production went from being concentrated in large farms to being almost entirely concentrated in private households. At the beginning of 2011, 80 percent of all cattle in Kazakhstan were reported to be held by private households (with 14 percent in private farms and only 6 percent in agricultural enterprises).

Private household ownership of cattle in Kazakhstan typically consists of each person in a village owning a few cows, which each morning are combined with other cattle from the village and led out to graze and then returned to their owner every evening.

The devolution of production to private households has meant that the cattle sector has suffered from poor genetics and productivity. Very few of these cows are pure beef breeds, and most are dairy-beef mix in order to provide milk to the private households. The Kazakh Ministry of Agriculture estimates that only 1.2 percent of cattle in Kazakhstan are pure beef breeds.

The decline of the sector also resulted in lower slaughter weights, and currently the estimated slaughter weight is about 300 kilograms (660 pounds).

Despite these problems, cattle numbers are expected to begin to increase at a faster pace in the next few years as large-scale producers have begun to import cows and expand their herds. Kazakhstan benefits from a huge amount of available land for pasture which can support a significant increase in cattle numbers.

Kazakhstan's beef production continues to grow slowly. As with cattle inventories, beef production fell dramatically in the early 1990s, and hit its lowest point 2001. Since that time there has been slow but steady growth in beef production, and in 2011 it is expected to grow about 2 percent and reach 415,000

metric tons and 425,000 metric tons in 2012. Despite the large focus on developing Kazakhstan's cattle sector, the current trend is that producers are primarily building up herd numbers and improving genetics, and as a result there will likely be a lag of 2-3 years before these increases are reflected in higher beef production.

The Kazakh Ministry of Agriculture has published a SWOT analysis for meat production and exports in Kazakhstan which clearly identified the major problems and opportunities in the sector. These include:

### Strengths

- Very large availability of unused pasture in the Northern, Central, Western, and Eastern regions of Kazakhstan for the grazing of cattle
- Strong competitiveness of Kazakh beef on the Russian market

### Weaknesses

- Large percentage of cattle concentrated in small households
- Small amount of feed grain planted area in Kazakhstan, and the lack of production and high prices of compound feed.
- Poor genetic make-up of Kazakh cattle and low levels of breeding stock
- Sporadic outbreaks of dangerous livestock diseases
- Some import dependency
- Seasonal character of meat production

### Opportunities

- Population growth will lead to higher meat consumption and the creation of the Customs Union with Russia will enhance the competitiveness of Kazakh beef to Russia.
- The Establishment of Halal standards will increase the potential of exports to Arab countries and the Middle East

### Threats

- Strong competition from other meat suppliers such as Argentina, Brazil, Australia and New Zealand. Meat from these competitors is often sold frozen, making it harder for Kazakh meat to compete in price.
- Possible trade restrictions and bans as a result of the appearance of animal diseases.

### Consumption

Beef continues to be the primary meat consumed in Kazakhstan, with beef accounting for an estimated 39 percent of meat consumption, followed by poultry with 21 percent, pork with 20 percent, goat/sheep with 14 percent, and horse with 7 percent. Beef consumption continues to grow along with population growth, although per capita consumption is still significantly below Soviet-levels.

Beef prices have risen, and industry sources report that this is being caused by 2 major factors. First, with the creation of the Customs Union with Russia and Belarus, rising prices in Russia have begun to have a greater impact on Kazakh prices. Second, large-scale investments in the sector have increased demand for cattle as producers try to increase their herd sizes. This has driven up the prices for cattle (prices of breeding stock have doubled in the last few years), and concomitantly, beef.

## **Trade**

Kazakhstan is largely self-sufficient in beef, with on average 15,000 metric tons of imports of higher-quality beef products, primarily from Argentina and Australia. The Tariff-Rate Quota for beef for 2011 is 20 metric tons of fresh beef and 10,000 metric tons of frozen beef.

As mentioned above, the Kazakhstan government is providing large amounts of subsidies and discounted credit to producers with the goal of turning Kazakhstan into a net exporter of 60,000 metric tons by 2016, and 180,000 metric tons by 2020, with Russia as a key market. Kazakhstan had previously been a significant exporter of beef when part of the Soviet Union, with volumes of nearly 160,000 tons a year in the late 1980s and early 1990s (although by 2000 all exports had disappeared).

In order to improve breeds and productivity in the cattle sector, since 2007 Kazakhstan has begun importing live cattle. In 2010, these imports reached 3,500 head (costing an estimated \$15 million), including nearly 2,000 from the United States. The government's cattle and beef development plan calls for the total importation of 72,000 head (total importation costs could exceed \$200 million if this goal is realized) in order to improve the genetic make-up of Kazakhstan. The government has been financially supporting these imports and last year there was a nearly \$2,000 subsidy for every imported animal, although this year it has been reduced to \$1,400 because of such strong demand.

In addition to live cattle, bovine semen (both beef and dairy) imports have also been rapidly increasing from almost nothing five years ago to \$150,000 worth last year and already nearly \$500,000 worth imported in the first 4 months of 2011. The United States typically has about a 35 percent share of bovine semen exports to Kazakhstan, with Canada the major supplier. The Government has subsidized up to 50 percent of the costs of bovine semen importation.

## **Government Support**

The Government of Kazakhstan is supporting the development of the cattle and beef industry through a variety of means including:

- 200,000 tenge (\$1,400) subsidy per head for imported breeding cattle
- 8,000 tenge (\$55) subsidy for each cow
- 4,500 tenge (\$31) subsidy per metric ton for feed
- 50 percent subsidy on imported bovine semen
- Very beneficial credit terms. Private credit terms are typically for a maximum of 5 years at interest rates of up to 15 percent, however for livestock-related investment, the Government of Kazakhstan provides loans of up to 12 years (often with a few years interest-free) at rates of between 4-6 percent.

## PSD

Meat, Beef and Veal Kazakhstan	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	0	0	0	0		
Beginning Stocks	0	0	0	0		0
Production	400	407	400	415		425
Intra-EU Imports	0	0	0	0		0
Other Imports	16	12	20	10		10
Total Imports	16	12	20	10		10
Total Supply	416	419	420	425		435
Intra EU Exports	0	0	0	0		0
Other Exports	1	1	1	1		1
Total Exports	1	1	1	1		1
Human Dom. Consumption	415	418	419	424		434
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	415	418	419	424		434
Ending Stocks	0	0	0	0		0
Total Distribution	416	419	420	425		435

1000 HEAD, 1000 MT CWE, PERCENT, PEOPLE, KG