



Voluntary Report - public distribution

Date: 4/2/2001

GAIN Report #KZ1006

Kazakhstan, Republic of

Sugar

Update

2001

Approved by: **Jim Dever, Ag Counselor** **U.S. Embassy Islamabad, Pakistan**
Prepared by: **Alexander Simon, Ag Specialist** **U.S. Embassy Almaty, Kazakhstan**

Report Highlights:

After years of decline and stagnation, Kazakhstan's sugar beet production has begun to recover. Even so, Kazakhstan is expected to rely on imported sugar for the bulk of its requirements for the foreseeable future. MY 2001/02 sugar imports are estimated at 300,000 MT.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Islamabad [PK1], KZ

SUGAR BEET

PRODUCTION

After years of decline and stagnation, sugar beet production has begun to recover. During the past several years, beet area has nearly doubled to 24,000 hectares, mainly on small farms (which now account for 60 percent of total sugar beet area). Small farms produce beets largely with family labor, which allows them to save on the high cost of machinery and fuel. As a result, production costs have dropped sharply (from Kazakh Tenge (KZT) 5,900 MT in 1997 to KZT 1,500 MT in 2000) and returns have increased, prompting farmers to shift out of vegetables and fodder and into beets.

Table 1: Sugar Beet Production, Supply and Demand

PSD Table						
Country:						
Commodity:	Sugar Beets					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin						
Area Planted	0	19	0	23	0	24
Area Harvested	0	17	0	18	0	23
Production	0	294	0	270	0	350
TOTAL SUPPLY	0	294	0	270	0	350
Utilization for Sugar	0	294	0	270	0	350
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	0	294	0	270	0	350

Over 81 percent of total sugar beet production occurs in the Almaty region. Local processors provide inputs in the spring against harvest deliveries. However, the shortage of credit is expected to limit production increases for the next several years.

MY 1999/2000 sugar beet production is estimated at 270,000 MT or about 24,000 MT below the previous year due to hot weather and limited irrigation supplies. MY 2000/01 sugar beet production is expected to reach 350,000 MT due to anticipated increases in area.

CENTRIFUGAL SUGAR

PRODUCTION

Kazakhstan's total MY 2001/02 beet sugar production is estimated at 27,000 MT (raw equivalent). In addition to beet sugar, refineries are expected to process approximately 220,000 MT of imported raw cane sugar during MY2001/02, which will increase total refined sugar production to 247,000 MT.

Table 2: Sugar Production, Supply and Demand

PSD Table						
Country:	Kazakhstan , Republic of					
Commodity:	Sugar					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Beginning Stocks	88	124	163	138	123	169
Beet Sugar Production	90	23	85	21	0	27
Cane Sugar Production	0	0	0	0	0	0
TOTAL Sugar Production	90	23	85	21	0	27
Raw Imports	450	211	340	242	0	220
Refined Imp.(Raw Val)	0	87	0	78	0	80
TOTAL Imports	450	298	340	320	0	300
TOTAL SUPPLY	628	445	588	479	123	496
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	4	0	5	0	5
TOTAL EXPORTS	0	4	0	5	0	5
Human Dom. Consumption	465	303	465	305	0	305
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	465	303	465	305	0	305
Ending Stocks	163	138	123	169	0	186
TOTAL DISTRIBUTION	628	445	588	479	0	496

Kazakhstan has eight sugar refineries that can process a total of 2 MMT of sugar beets per year. However, due to reduced production, only five of the refineries are in operation, utilizing about 25 percent of capacity. Problems faced by the industry include: the lack of capital, high tax rates, and high energy and transportation costs.

CONSUMPTION

Kazakhstan's total MY 2001/02 sugar consumption is estimated at 305,000 MT. An estimated 30 percent of sugar is consumed by the food industry and the remained consumed directly by households. Per capita consumption is estimated at about 20 kilograms, which is about half of the level in the early 1990's. Consumption is constrained by limited purchasing power and the high cost of sugar. On March 1, the retail price for sugar increased from KZT 60 per kilogram to KZT 70 due to increases in energy costs (\$1 = KZT 145).

TRADE

Kazakhstan relies on imports for the bulk of its demand. During MY 2000/01, Kazakhstan imported 320,000 MT of sugar (raw equivalent), mostly lower-priced raw cane sugar from Cuba and Brazil. Russia is a major supplier of refined sugar to the Kazakhstani market by virtue of its duty-free entry as a member of Custom Union. MY 2000/01 total refined sugar imports are estimated at 78,000 MT (raw equivalent). MY 2001/02 total sugar imports are expected to decrease due to higher ending stocks and stable domestic demand.

Kazakhstan is a minor sugar exporter. Official data indicates a total of 5,000 MT of sugar were exported in MY 2000/01, mainly to neighboring Kyrgyzstan. An equal amount of sugar reportedly is smuggled out of Kazakhstan, mainly to Uzbekistan and Tajikistan.

Kazakhstan's imports of candies made of sugar, caramels and other sugar confectionary products (HS Code 1704) increased from 11,500 MT (valued at \$9.2 million) during MY 1999/2000 to 12,700 MT (valued at \$10 million) in MY 2000/01. Exports of sugar confectionary products are not significant and are not reported officially.

Table 3: Sugar Imports by Origin

Import Trade Matrix			
Country:		Units:	000' MT
Commodity:			
Time period:	CY		
Imports for	2000		2001
U.S.	0	U.S.	0
Others		Others	
Brazil	116	Cuba	110
Russia	71	Brazil	90
Cuba	64	Russia	80
Kyrgyzstan	10	Guatemala	20
Thailand	8	Salvador	11
Byelorussia	4	Kyrgyzstan	2
Great Britain	3		
China	3		
Total for Others	279		313
Others not listed	19		7
Grand Total	298		320

TARIFFS

To protect the local sugar industry, the Government of Kazakhstan maintains high tariffs on white sugar and low tariffs on raw cane sugar, as follows:

Table 4: Sugar Tariffs

HSC	Product	Tariffs
1701	Cane or beet Sugar	1%
excluding: 170111	Raw Cane Sugar	Duty Free
170199100	White Sugar	30%, but no less 0.12 Euro per kg

In addition, all imported sugar is a subject for 20 percent of Value Added Tax (VAT) and 0.2 percent of custom procedures.