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Kazakhstan - Republic of

Grain and Feed Update

Kazakhstan Grain and Feed Update Report

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Report Highlights:

Kazakhstani grain production is expected to be flat this year as Kazakhstan continues its crop diversification strategy and gradually reduces wheat area. Wheat planting area is expected to reach a historical low of 11.2 million hectares. Wheat production is forecast at 14.0 MMT in MY2019/20. Barley production for MY2019/20 is also forecast to be on par with the previous year at 4 MMT.

PRODUCTION

FAS/Nur-Sultan forecasts Kazakhstani wheat production in marketing year (MY) 2019/20 (September-August) at 14 million metric tons (MMT), flat from MY 2018/19. The stable production reflects good soil moisture improving yields, despite the fact that wheat planted area continues to decline, reducing harvested area. This year's drop in wheat area sown comes from the ongoing government policy encouraging crop diversification, particularly towards oilseeds.

Post forecasts Kazakhstani barley production for MY 2019/20 (July-June) at 4 MMT, almost flat from barley production in MY 2018/2019. Barley harvested area is almost unchanged at 2.5 million hectares.

Planting this season started earlier than usual, but faced delays due to abundant rainfall and cold weather. As a result, planting finished at a similar time to previous years. Planting in Akmola region started on May 20, and rains during plantings delayed the process. At the same time, cold temperatures kept the soil cold. The soil moisture content is reported to be sufficient thanks to spring rains. Farmers had to plant between rain breaks.

In the Kostanay region, crops planted during May 15-18 reached a height of 5-15 centimeters within the first two weeks. During planting, farmers reported temperatures at -3 C. Farmers were concerned that the cold temperatures may negatively affect crops. On the other hand, soil moisture appeared to be satisfactory at the time of planting. Farmers planted wheat eight centimeters deep.

However, in late July the regional agriculture department reported that unfavorable weather for wheat crops in the Kostanay region caused the deterioration of more than 600,000 hectares of wheat crops. Crops are undersized, especially in the southern parts of the region. According to the department, 1.6 million hectares of grain are in good condition, 1.9 million hectares are in satisfactory condition, but 613,000 hectares are in poor condition. This is caused by atmospheric and soil drought conditions during the most vulnerable stages of crop growth and development (tillering, booting, flowering). Ambient temperatures during July 4-22 were 35-40 C, whereas optimum temperatures for wheat are 10-25 C, according to the regional authorities.

Farmers in the North Kazakhstan region did not plant early, as their experience has shown that earlier plantings produce smaller yields, sometimes up to three times lower than usual.

Lack of sufficient seed quantity and poor timing of seeds under the [recently reformed seed subsidies system](#) made farmers import seeds from Russia up to the very beginning of sowing. Mineral fertilizer application in Kazakhstan remains at a very low level, reaching only 18 percent of the country's need in MY 2018/2019 with 471,400 tons of fertilizers applied. See Table 1 below.

Table 1. Mineral fertilizer application in Kazakhstan, 2017-2019

	2017		2018		2019	
	Mineral fertilizer applied, thousand tons	% of the country's need	Mineral fertilizer applied, thousand tons	% of the country's need	Mineral fertilizer shipped by May 23, thousand tons	% of the country's need
Kostanay	17.5	4	29.5	6	29.2	
Akmola	33.4	8	57.9	14	14.3	
North Kazakhstan region	83.7	23	107.2	30	63	
Country total	17,548	14	463,200	18	267,100	18

Planting involved 147,000 tractors, 4,000 sowing machines, 79,500 planters, and 249,000 soil treating machines. Thanks to interest rates at 10 percent and an investment subsidy of 25 percent, farmers purchased 9,500 units of different agricultural machinery last year. See Table 2 below.

Table 2. Agricultural machinery involved in spring planting, 2018-2019

Type of Machinery	Involved in 2019 spring planting	Involved in 2018 spring planting	2019 to 2018
Tractors	147,000	142,600	+4,400
Sowing machines	4,000	3,700	+300
Seeders	79,500	82,500	-3,000
Soil treatment machinery	249,000	297,000	-48,000

This spring, the Agrarian Credit Corporation JSC (ACC) provided 60 billion Kazakh tenge, the same amount as last year, in financial support from the government budget to agricultural producers. Over 1,770 applications for 50 billion tenge worth of loans were approved and paid out to farmers through ACC affiliates, credit partnerships, microfinance organizations, and second-tier banks.

The Ministry of Agriculture reported on June 11, 2019, that 14.3 million hectares of spring grain crops and 2.8 million hectares of oilseeds crops had been sown. See Tables 3 and 4 below.

Table 3: Kazakhstan Sowing Progress for Spring Grain Crops, 2019, Thousand Hectares

Region	Estimated		Actually planted		Actual as % of estimate	
	2018	2019	2018	2019	2018	2019
AKMOLA	4,313.5	4,333.0	4,100.9	4,334.7	95.1	100.0
AKTOBE	337.7	335.4	435.3	452.2	128.9	134.82
ALMATY	246.6	246.9	246.6	246.9	100.0	100.0
EAST KAZ	567.7	560.4	550.8	534.1	97.0	95.3
ZHAMBYL	154.4	184.8	160.8	193.1	104.1	104.5
WEST KAZ	188.0	190.0	207.4	177.1	110.3	93.2
KARAGANDA	832.8	885.8	832.8	885.8	100.0	100.0
KOSTANAY	4060.3	3991.9	3812.2	3991.9	93.9	100.0
KYZYLORDA	3.2	3.4	2.6	4.8	80.7	139.3
PAVLODAR	768.2	710.1	631.7	710.2	82.2	100.0
NORTH KAZ	2692.3	2760.1	2475.9	2760.1	92.0	100.0
TURKESTAN	42.0	51.7	55.0	51.7	131.0	100.0
TOTAL	14,206.7	14,264.3	13,512.0	14,352.4	95.1	100.6

Source: [Kazakhstani Ministry of Agriculture sowing report as of June 11, 2019](#)

Table 4: Kazakhstan Sowing Progress for Oilseeds, 2019, Thousand Hectares

Region	Estimated		Actually planted		Actual as % of estimate	
	2018	2019	2018	2019	2018	2019
AKMOLA	258.4	264.5	252.8	264.5	97.8	100.0
AKTOBE	49.6	50	50	29.8	100.8	59.6
ALMATY	171.1	172.9	171.1	172.86	100.0	100.0
EAST KAZ	412.9	443.8	434.9	455	105.3	102.5
ZHAMBYL	95.3	68.8	89.8	62.8	94.2	91.3
WEST KAZ	61	64.8	52.56	78.03	86.2	120.4
KARAGANDA	17.1	18.3	17.1	18.7	100.0	102.2
KYZYLORDA	10.7	7	10.3	6.9	96.3	98.6
KOSTANAY	429.8	475.7	344.3	530	80.1	111.4
PAVLODAR	210.1	214.8	202.4	223.1	96.3	103.9
NORTH KAZ	1000	850	874.8	850	87.5	100.0
TURKESTAN	86	97	90.9	96	105.7	99.0
TOTAL	2,802.0	2,733.0	2,591.0	2,793.1	92.5	102.2

Source: [Kazakhstani Ministry of Agriculture sowing report as of June 11, 2019](#)

CONSUMPTION

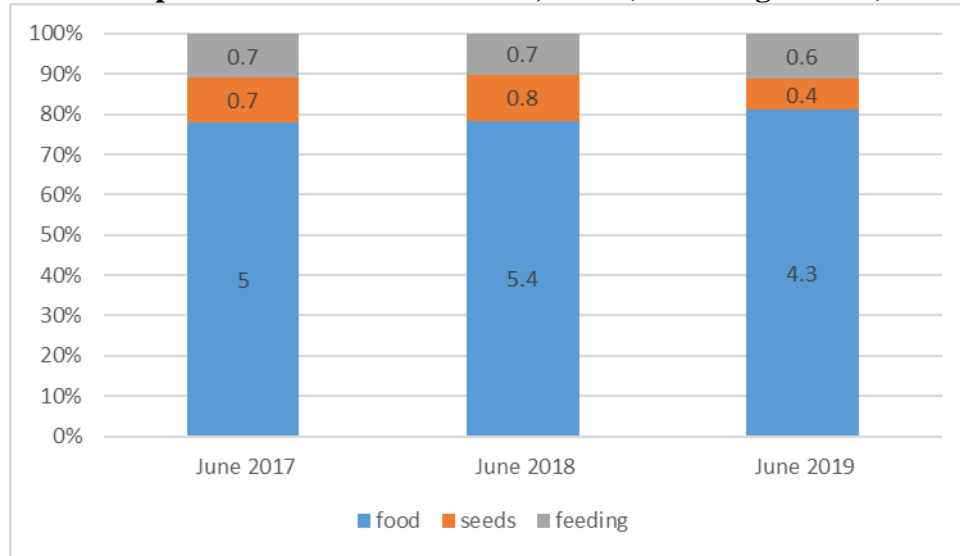
Wheat:

Food, seed, and industrial (FSI) consumption for wheat is expected to remain unchanged in MY2019/2020 at 4.8 MMT. Note: a wheat processing project to produce gluten and starch has recently been restored and might affect the numbers after reaching its full capacity. Seed use is forecast to fall as planted area continues to shift slowly away from wheat.

Although Kazakhstan is focusing on expanding its herds, mostly cattle and sheep, the livestock

population has not yet grown enough to warrant increased feed use. As of June 1, 2019, nearly 80 percent of wheat is used for food consumption, seven percent for seeds, and 11 percent for feed. Last year's wheat consumption was very similar, showing 78 percent for food, 11 percent for seeds, and ten percent for feed. See Chart 1 below.

Chart 1: Wheat Consumption Structure as of June 1, 2019 (Percentage/MMT)

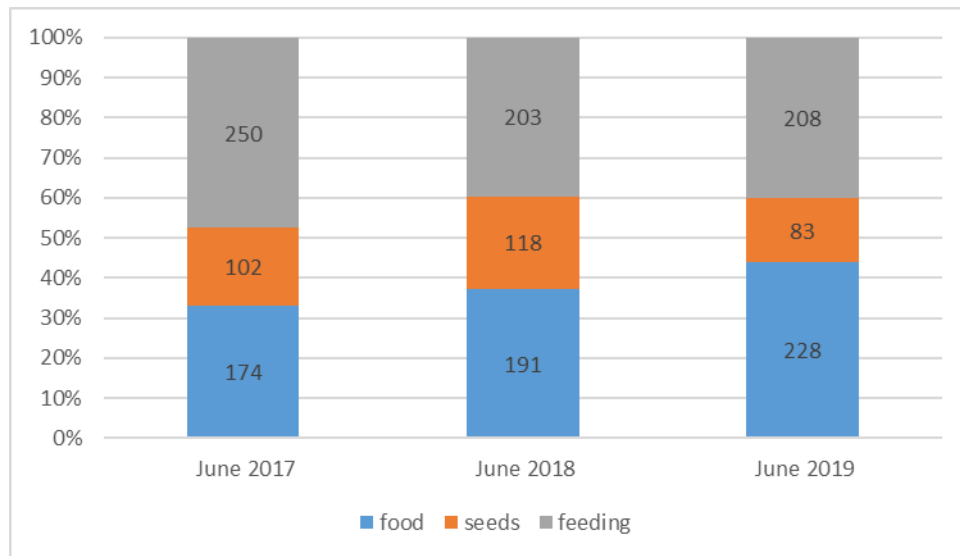


Source: Kazakhstan Statistical Service

Barley:

The structure of Kazakhstani barley consumption as of June 1, 2019, is reported at 43 percent for food, 15 percent for seed and 40 percent for feed. The barley consumption structure changed slightly this year with an increase in food use after planting works finish. However, the total consumption figures have not changed from last year. See Chart 2 below.

Chart 2: Barley Consumption Structure as of June 1, 2019 (Percentage/Thousand MT)

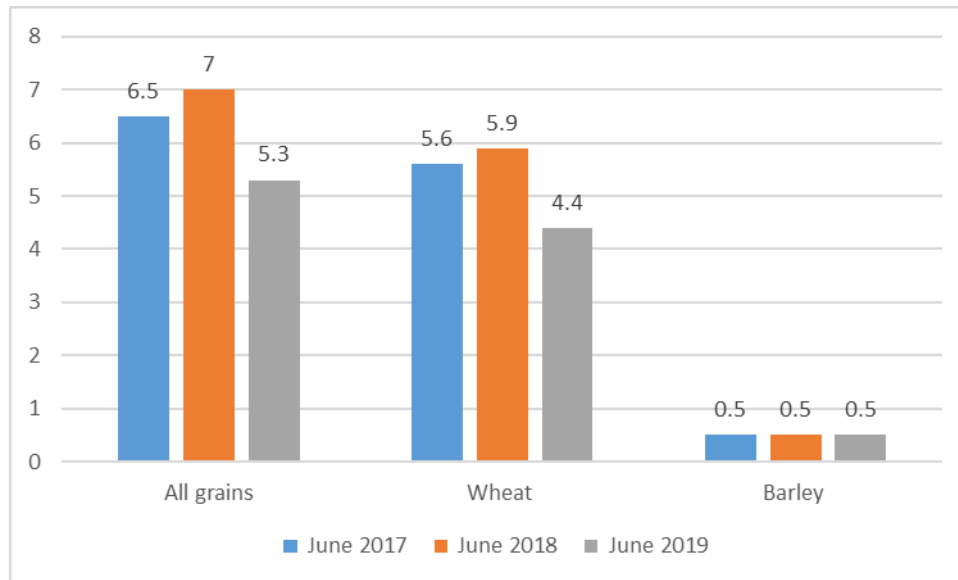


Source: Kazakhstan Statistical Service

STOCKS

Grain stocks are currently 25 percent lower than last year's level, according to official figures. The Kazakhstan Statistical Agency reported on June 1, 2019 that total grain stocks reached 5.3 MMT, significantly lower than 2018 stocks. Wheat stocks totaled 4.4 MMT. Stocks continue to decrease (see Chart 3), as traders continue to export. While some traders may be waiting for prices to increase, certain stocks remain because they simply cannot meet basic quality standards. Barley stocks are reported at 0.5 MMT, flat from 2018. Barley stocks have remained flat for the last three years. See Chart 3 below.

Chart 3: Total Grains, Wheat, and Barley Stocks as of June 1, 2019 (MMT)



Source: Kazakhstan Statistics Service

NB: “All grains” category includes wheat, barley, and a variety of other minor grains.

TRADE

Although Kazakhstan’s export markets have grown lately, Post forecasts flat wheat exports at 8 MMT in MY 2018/19, while MY 2019/20 exports are estimated at 7.5 MMT. MY 2018/19 wheat export volumes have been reduced as a result of smaller crop. Also, MY 2019/20 carry-in stocks are expected to be smaller than last year, while import demand from Central Asian countries is expected to be consistent and significant. Both quality and quantity of this year’s crop could suffer from the early and wet planting.

Georgia has expressed interest in Kazakhstani wheat, in part to avoid dependence on Russian wheat imports. [According to the Flour Producers of Georgia](#), there is an inherent risk on depending on a single supplying country. The organization notes that during the last few years, 90 percent of Georgian wheat imports were from Russia through the Lars border point, at a price lower than market price. However, Georgian customers hope to diversify wheat imports and have negotiated with the Kazakhstani Food Contracting Corporation, the government grain operator. As a result, Georgian wheat importers hope that imports from Kazakhstan will be increasing.

From January to April 2019, Kazakhstan exported 1.9 million tons of wheat. These exports mainly went to Central Asian countries (65 percent), China (6 percent) and Afghanistan (6 percent). Wheat exports to Afghanistan are reported smaller compared to the previous year, due to Afghani currency devaluation. Afghan importers requested delayed payment for two months, but Kazakh exporters cannot accept these terms. Wheat exports to Turkmenistan show impressive growth, and exports to Georgia and Greece shot up 400 percent during January-April 2019. Exports to Vietnam doubled from last year thanks to improved logistics via China. See Table 5 below.

Table 5: Kazakhstan Wheat Exports, January-April 2019, MT

Kazakhstan Export Statistics								
Commodity: 1001, Wheat And Meslin								
Year To Date: January - April								
Partner Country	Unit	Quantity			% Share			% Change
		2017	2018	2019	2017	2018	2019	2019/2018
World	T	1118765	1963593	1977810	100.00	100.00	100.00	0.72
Uzbekistan	T	479696	839549	759507	42.88	42.76	38.40	- 9.53
Tajikistan	T	276689	274915	323472	24.73	14.00	16.36	17.66
Azerbaijan	T	8476	55617	213794	0.76	2.83	10.81	284.40
China	T	138459	165271	131911	12.38	8.42	6.67	- 20.18
Afghanistan	T	85308	169478	127643	7.63	8.63	6.45	- 24.68
Turkmenistan	T	0	3812	115525	0.00	0.19	5.84	2930.40
Turkey	T	16094	158953	87173	1.44	8.10	4.41	- 45.16
Italy	T	73072	167978	79328	6.53	8.55	4.01	- 52.77
Georgia	T	22	8434	44340	0.00	0.43	2.24	425.76
Greece	T	0	4094	22173	0.00	0.21	1.12	441.55
Tunisia	T	9999	28909	17303	0.89	1.47	0.87	- 40.15
United Kingdom	T	0	0	11517	0.00	0.00	0.58	0.00
Vietnam	T	720	5265	11286	0.06	0.27	0.57	114.35
Netherlands	T	306	5325	9828	0.03	0.27	0.50	84.55
Sweden	T	17900	19481	9000	1.60	0.99	0.46	- 53.80
Belgium	T	0	0	3800	0.00	0.00	0.19	0.00
Iran	T	8361	39876	3100	0.75	2.03	0.16	- 92.23
Poland	T	0	3862	2509	0.00	0.20	0.13	- 35.05
Norway	T	0	0	2500	0.00	0.00	0.13	0.00
Finland	T	3185	0	1481	0.28	0.00	0.07	0.00
Germany	T	479	329	418	0.04	0.02	0.02	27.05
Lithuania	T	0	22	204	0.00	0.00	0.01	844.44
Jordan	T	0	606	0	0.00	0.03	0.00	- 100.00
Latvia	T	0	1593	0	0.00	0.08	0.00	- 100.00
Spain	T	0	10225	0	0.00	0.52	0.00	- 100.00

MY 2019/20 Kazakhstani barley exports are forecast at 1.8 MMT, flat from MY 2018/19. Demand remains stable in many of the Central Asian markets where Kazakhstan has traditionally exported. From January to April 2019, Kazakhstan exported 731,774 MT of barley, with 93 percent destined for Iran. See Table 6 below.

Table 6: Kazakhstan Barley Exports, January-April 2019, MT

Kazakhstan Export Statistics								
Commodity: 1003, Barley								
Year To Date: January - April								
Partner Country	Unit	Quantity			% Share			% Change
		2017	2018	2019	2017	2018	2019	2019/2018
World	T	248461	668013	731774	100.00	100.00	100.00	9.54
Iran	T	219361	642090	681097	88.29	96.12	93.07	6.08
Uzbekistan	T	14845	13709	26167	5.97	2.05	3.58	90.87
United Arab Emirates	T	0	0	8063	0.00	0.00	1.10	0.00
Israel	T	0	0	3400	0.00	0.00	0.46	0.00
Iraq	T	0	0	3184	0.00	0.00	0.44	0.00
Azerbaijan	T	0	0	3097	0.00	0.00	0.42	0.00
Afghanistan	T	4291	2084	3081	1.73	0.31	0.42	47.82
United Kingdom	T	0	2965	2603	0.00	0.44	0.36	- 12.19
Tajikistan	T	664	731	751	0.27	0.11	0.10	2.70
China	T	0	0	180	0.00	0.00	0.02	0.00
Czech Republic	T	0	44	85	0.00	0.01	0.01	93.18
Poland	T	0	0	65	0.00	0.00	0.01	0.00
Turkmenistan	T	0	210	0	0.00	0.03	0.00	- 100.00
United States	T	9300	0	0	3.74	0.00	0.00	0.00
Germany	T	0	6136	0	0.00	0.92	0.00	- 100.00
Netherlands	T	0	44	0	0.00	0.01	0.00	- 100.00

[Astyk Trans JSC, Kazakhstan's largest grain transportation company](#) lowered the rent for export transportation by 20-50 percent from April 1, 2019 through December 31, 2019 for transit on Turkmenistan territory, in particular between rail stations Serkhetika and Akjaila (50 percent discount), Serkhetika and Sarakhs (40 percent discount), and Serkhetika and Imamnazar (20 percent discount). These transportation routes are towards Afghanistan, Iran, China and Azerbaijan. Astyk Trans JSC was organized in 2013, and today the Russian company RusAgroTrans is its sole owner.

Eurasian Economic Union Trade:

From January to April 2019, Kazakhstan doubled wheat exports to EAEU countries, reaching 27,047 tons. Kazakhstan also exported 3,561 metric tons of barley and 8,827 metric tons of wheat flour within the Eurasian Economic Union (EAEU) countries. See Table 7 below.

Table 7: Kazakhstani Exports within the EAEU, MT

	Jan-Apr 2019	% change from Jan-Apr 2018
Wheat	27,047	200
KYRGYS	11,327	200
TAN		
RUSSIA	15,372	180
BELARUS	347	
Barley	3,561	
RUSSIA	3,319	
BELARUS	242	

Source: [EAEU statistics](#)

At the same time, Kazakhstan imported 3,368 metric tons of wheat and 3,980 metric tons of barley from Russia. Wheat flour imports from Russia have doubled from last year. See table 8 below.

Table 8: Kazakhstani Imports within the EAEU, MT

	Jan-Apr 2019	% change from Jan-Apr 2018
Wheat	3,368	74.9
RUSSI	3,365	74.8
A		
Barley	3,980	94.5
RUSSI	3,980	94.5
A		
Wheat flour	274	100
RUSSI	274	100
A		

Source: [EAEU statistics](#)

POLICY

On March 20, 2019, President Nazarbayev announced his resignation from the presidency, just over one year short of completing his fifth term in office. His constitutional successor, Senate Chairman Kassym-Jomart Tokayev took office to complete Nazarbayev's term. On April 9, 2019, Tokayev announced a snap presidential election, to be held June 9. Tokayev won with 70.9 percent of the vote. Six other candidates ran, including one identified as the main opposition candidate, Amirzhan Kosanov, gaining 16.23 percent of the vote. However, the OSCE Election Observation Mission found criticized the conduct of the election due to limits on political pluralism. Kazakhstan last held Parliamentary elections in March, 2016. The ruling Nur Otan party won 82 percent of the vote.

Most agricultural policies of the previous government appear to be continuing under the new administration. For example, the newly-elected President Kassym-Jomart Tokayev stated that land in Kazakhstan will not be sold to foreign citizens, as a legislative moratorium on certain provisions of the Land Code are in force until 2021.

The Majilis, the lower chamber of the Kazakhstani parliament, recently approved amendments to some laws concerning regulation of agricultural production. The amendments propose harsher punishment for

illegal cutting or destruction of trees, shrubs, and forests, violation of the protection regimes in natural parks, and illegal fishing and hunting. Foreign citizens and stateless persons that commit such crimes will be extradited from Kazakhstan. Also, the existing mandatory insurance system in the agricultural sector will now become voluntary insurance, and subsidized insurance indemnity will be replaced by subsidized insurance premiums, according to Minister of Agriculture Saparkhan Omarov.

NOTE: The National Bank of Kazakhstan exchange rate as of July 15, 2019: 1 U.S. Dollar=383.29 Tenge. In March 2019, the capital city Astana was renamed Nur-Sultan, as a tribute to former leader Nursultan Nazarbayev.

Production, Supply, and Demand Tables

Wheat Market Begin Year Kazakhstan	2017/2018		2018/2019		2019/2020	
	Sep 2017		Sep 2018		Sep 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11912	11912	11354	11354	11400	11240
Beginning Stocks	3364	3364	2365	2365	1292	1521
Production	14802	14802	13947	13976	14000	14000
MY Imports	99	99	80	80	60	60
TY Imports	103	103	80	80	60	60
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	18265	18265	16392	16421	15352	15581
MY Exports	9000	9000	8500	8000	7500	7500
TY Exports	8600	8600	8500	8000	7500	7500
Feed and Residual	2100	2100	1800	2100	1800	2100
FSI Consumption	4800	4800	4800	4800	4800	4800
Total Consumption	6900	6900	6600	6900	6600	6900
Ending Stocks	2365	2365	1292	1521	1252	1181
Total Distribution	18265	18265	16392	16421	15352	15581
Yield	1.2426	1.2426	1.2284	1.2309	1.2281	1.2456
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley Market Begin Year Kazakhstan	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2069	2069	2516	2516	2500	2574
Beginning Stocks	531	531	370	370	391	391
Production	3305	3305	3971	3971	4000	4000
MY Imports	31	31	50	50	40	40
TY Imports	29	29	55	55	50	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3867	3867	4391	4391	4431	4431
MY Exports	1347	1347	1800	1800	1850	1800
TY Exports	1411	1411	2000	2000	1900	1900
Feed and Residual	1850	1850	1900	1900	1900	1900
FSI Consumption	300	300	300	300	300	300
Total Consumption	2150	2150	2200	2200	2200	2200
Ending Stocks	370	370	391	391	381	431
Total Distribution	3867	3867	4391	4391	4431	4431
Yield	1.5974	1.5974	1.5783	1.5783	1.6	1.554
(1000 HA) ,(1000 MT) ,(MT/HA)						