United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural Information Network

Required Report: Required - Public Distribution **Date:** December 30,2019

Report Number: KZ2019-0009

Report Name: Exporter Guide

Country: Kazakhstan - Republic of

Post: Nur-Sultan (Astana)

Report Category: Exporter Guide

Prepared By:

Approved By: Timothy Harrison

Report Highlights:

A bit off the beaten path for U.S. food and agricultural product exporters, Kazakhstan is a market worth exploring. Kazakhstan is an upper middle-income country with a population of approximately 18.7 million. It is also an important logistical hub and trendsetter for other countries in Central Asia. U.S. exporters are likely to find opportunities for a variety of products, including healthy snacks and ingredients, wine, beer, and spirits, and high-value consumer products. As Kazakhstan seeks to modernize its own agricultural industry, there are also potential opportunities for U.S. plant seeds and livestock.

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Market Fact Sheet: Kazakhstan

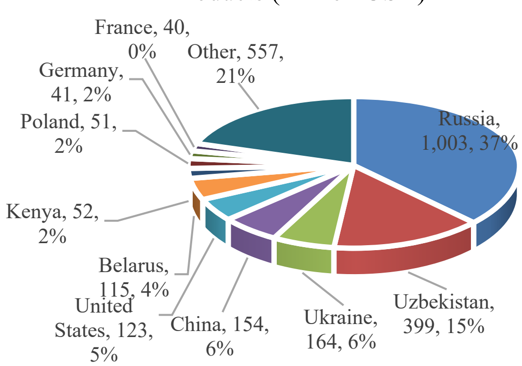
Executive Summary

Kazakhstan is an upper middle-income country and a leader in Central Asia. In 2019, Kazakhstan's GDP reached $170.3 billion, positioning the country as the world's 57th largest economy. The 9th largest country by area, Kazakhstan is strategically located between Russia and China. It is an important logistical hub for the Central Asia region, despite its landlocked status. Kazakhstan is a major grain producer with a growing livestock sector, but the country imports many consumer-oriented products for its population of 18.6 million.

Imports of Consumer-Oriented Products

Kazakhstan imported over $2.7 billion in consumer-oriented food and agricultural products, distilled spirits, and seafood in 2018. The United States supplied $123 million of that total, making it the fifth largest supplier of these products.

2018 Kazakhstani Imports of Consumer-Ready Food and Beverage, Distilled Spirits, and Fish Products (million USD)



Food Processing Industry

Kazakhstan's food processing sector is relatively small, due in part to the country's small population. Confectionery and meat processing probably offer the greatest opportunities for U.S. ingredient suppliers on the national level, though regional food manufacturers may also be interested in smaller quantities of U.S. inputs.

Food Retail Industry

The grocery retail sector was valued at 4.9 trillion KZT (14.2 billion USD) in 2018. Traditional retail continues to dominate, accounting for 69 percent of that value. The traditional retail sector is highly fractured. However, modern retailers, including supermarkets, are growing strongly in Kazakhstan and likely present a better opportunity for U.S. exporters. Several national chains exist, with a growing gourmet segment as well.

SECTION I. – MARKET OVERVIEW

Quick Facts CY 2018

Imports of Consumer-Oriented Products *$2.5 billion*

List of Top 10 Growth Products in Host Country*

1) Eggs & Products	2) Fresh Fruit
3) Processed Vegetables	4) Spices
5) Coffee	6) Non-Alcoholic Beverages
7) Dog & Cat Food	8) Fruit & Vegetable Juices
9) Tree Nuts	10) Chocolate & Cocoa Prod.

** These BICO categories showed the highest import growth in 2018.*

Top Host Country Retailers

Magnum – 64 outlets
Small – 85 outlets
Ramstore – 15 outlets
Metro – 7 outlets

GDP/Population

Population *(million)*: 18.6
GDP *(billion USD)*: $170.3 (nominal)
GDP per capita *(USD)*: $28,850 (purchasing power parity)

Sources:
Trade Data Monitor, International Monetary Fund

Strengths/Weaknesses/Opportunities/Challenges

Strengths	***Weaknesses***
U.S. producers are world leaders in healthy food options, a growing category in Kazakhstan. U.S. company transparency and expertise is an important differentiator.	*Long distances and Kazakhstan's landlocked nature increase shipping costs and risks. U.S. exporters are not familiar with Kazakhstan.*
Opportunities	***Threats***
Kazakhstani consumers view the United States positively and are interested in U.S. culture. Kazakhstan's tradition of hospitality encourages consumers to seek out new products to offer guests.	*Kazakhstanis are generally unaware of U.S. products and brands, and some view U.S. products as unhealthy. Certain types of products may face restrictions when transshipped through third countries.*

Data and Information Sources:
Trade Data Monitor, Euromonitor, CIA World Factbook, IMF

Kazakhstan. The country is not usually at the top of exporters' minds when considering new foreign markets for U.S. food and agricultural products. To American ears, its name may evoke visions of a distant, mysterious land, far from the traditional trade routes. However, Kazakhstan is worth a closer look! Classified as an upper middle-income country by the World Bank, Kazakhstan boasts a population of 18.6 million, vast hydrocarbon and mineral resources, and expansive territory. Kazakhstan also enjoys relative political and economic stability. Though long-time president Nursultan Nazarbayev stepped down in 2019, his influence remains strong and his policies have been largely continued by successor Kassym-Jomart Tokayev. Thanks in large part to oil exports, steady economic growth brought GDP per capita to $28,850 on a purchasing power parity basis in 2019.

Marketing U.S. products in Kazakhstan is not without challenges. It is the world's ninth largest country by area, with a relatively disperse and rural population. Kazakhstan is also a major agricultural producer, particularly of wheat, barley, and increasingly, livestock products. Agriculture accounts for 4.7 percent of GDP and 18.1 percent of labor force. The government is eager to diversity the economy, but much of the country's wealth remains concentrated in the oil and mineral extraction sectors. Bureaucracy and government intervention in the economy can also temper opportunities in the country.

The largest concentrations of potential consumers of U.S. products lie in Kazakhstan's major cities, including business center Almaty (1.86 million), capital Nur-Sultan (1.1 million), and southern hub Shymkent (1.0 million). While ethnic Kazakhs make up a majority of the population, Kazakhstan also has sizable Russian, Uzbek, and German minorities, among many others. A growing middle class is demanding more variety and quality in food and beverage offerings. These factors, combined with Kazakhstan's multiculturalism, interest in other countries, and culture of hospitality, are a favorable basis on which to expand exports of U.S. food and agricultural products.

Advantages	Challenges
Kazakhstan is dependent on imported food products.	Russian, Chinese, Central Asian, and European suppliers have significant transportation advantages over U.S. exporters.
The United States enjoys a positive image.	Kazakhstani consumers have limited knowledge of U.S. brands and food products.
Kazakhstan is a trendsetter and logistical hub for other Central Asian countries.	Kazakhstan is seeking to expand its own agricultural production, including of process and value-added products.
There is a growing middle class, especially in the country's largest cities.	Population is dispersed across the world's ninth largest country by area, with few truly nationwide distributors.
Interest in foreign products and a culture of hospitality create a favorable market for food products at a wide range of prices.	Importers often prefer to buy relatively small volumes of new products.

SECTION II. – EXPORTER BUSINESS TIPS

General Consumer Tastes and Trends

Meat plays an important role in the Kazakhstani diet. In addition to the traditional horse meat, beef, mutton, and poultry are widely consumed. Given that the country is predominantly Muslim, most animal products will need to meet halal standards. Pork consumption is limited the mainly Russian minority in Kazakhstan, also due to religious considerations. Despite this, Kazakhstan is officially and practically a secular country.

As a multicultural society, Kazakhstanis enjoy a wide range of flavors and spices. In addition to traditional Central Asian dishes, there are significant Russian, Ukrainian, Chinese, Korean, and Turkish influences on food preferences in Kazakhstan. In general, Kazakhstani consumers are interested in trying and incorporating new foods into their diets.

Kazakhstanis place a high value on hospitality, both in everyday interactions and more formal festivals and celebrations. Novel or unique snack items, candies, and beverages are often sought-after as hosts seek to provide new experiences for their guests. The calendar of holidays also plays a role in the types of food consumed. Major holidays include New Year and Orthodox Christmas (January 1-7), Nauryz (March 21-23), and family celebrations such as weddings and birthdays throughout the year. Horse meat, pastries, sweets, fruits, and alcoholic and non-alcoholic beverages are important holiday foods.

Local Business Customs and Trends

Kazakhstan has made a major effort to promote international education to develop skills in its professionals, so many Kazakhstani businesspeople have overseas experience. However, this is not universal, and business interactions have their own flavor in Kazakhstan. For example, personal relationships tend to be important. Kazakhstani partners and clients will often expect to spend time sharing a meal and talking about family, hometowns, and after-work interests.

Russian is the traditional language of business in Kazakhstan, and it is still widely spoken. Kazakh language is growing in importance, particularly in southern Kazakhstan and outside of major cities. English language instruction is also an area of focus by the government, so many young people and professionals also have English skills.

Government involvement in the economy remains high. It is often important to find partners with industry experience and a good working relationship with local and national officials.

Trade Shows

Kazakhstan holds a variety of trade shows focused on the agricultural and food sectors each year. Hosting a booth at a trade show can offer a nice focal point for either an introductory visit to the market, or to strengthen relationships with existing clients in Kazakhstan. For food and beverage products in particular, it is a good opportunity to display products to potential buyers, which is essential to make sales. However, it is important to conduct additional outreach both in and outside the show during your visit. This is especially true of FoodExpo, where key decisionmakers may not plan to attend unless specifically invited. A booth with a small meeting place may be desirable if you choose to meet buyers at the show. Post encourages potential trade show participants to work with FAS Nur-Sultan in advance to arrange meetings with key buyers. The following are some of the key trade shows in Kazakhstan:

Date	Show Name	Description	Location
March 11-13, 2020	AgriTek Astana	Most important spring agriculture industry trade show for northern Kazakhstan. Features agricultural inputs such as seeds, animal genetics, fertilizers, crop protection products, and machinery.	Nur-Sultan
May 27-29, 2020	InterFood Kazakhstan	Smaller food and drinks show. Stronger focus on bar equipment and ingredients.	Nur-Sultan
October 2020 (TBD)	KazFarm/KazAgro	Fall agriculture industry show for northern Kazakhstan.	Nur-Sultan
November 4-6, 2020	FoodExpo Qazakhstan/AgroWorld Kazakhstan/Horex Kazakhstan	Kazakhstan's largest show for agricultural and food products. FoodExpo focuses on consumer-oriented foods, while AgroWorld focuses on farm equipment. These two shows and Horex Kazakhstan are combined in a single venue.	Almaty
November 11-13, 2020	AgriTek Shymkent	Small agriculture industry show in southern Kazakhstan. Features seeds, animal genetics/livestock, and farm equipment. Many Uzbekistani attendees.	Shymkent

Kazakhstani buyers may also attend larger international expos, such as Anuga or Russian shows.

SECTION III. – IMPORT FOOD STANDARDS & REGULATIONS and IMPORT PROCEDURES

Regulations and Import Procedures

As a member of the Eurasian Economic Union (EAEU), Kazakhstan has harmonized many of its import requirements with other members (Russia, Belarus, Armenia, and Kyrgyzstan). For more information on Kazakhstani import documentation and procedures, refer to the most recent Food and Agricultural Import Regulations and Standards (FAIRS) report at https://gain.fas.usda.gov/.

Logistical Considerations

Given that Kazakhstan is landlocked, most imports must transit at least one other country before arriving. This can complicate logistics and documentation requirements, depending on the product and the transit country. There are currently three major surface shipping routes:

- Russia: This is the most common/historical route. Goods either enter Russia through Baltic Sea ports, or are shipped through Europe and Belarus. Road and rail connections between Russia and northern Kazakhstan are fairly good. Though Russia restricts the importation of certain U.S. products (see FAS Moscow GAIN Report *Russia Extended Food Import Ban through End 2020*), in theory these products can transit Russia to Kazakhstan in sealed containers.
- Turkey/Caspian Sea: Goods are either first shipped to Turkey or directly to the port of Poti in Georgia. Once in Georgia, goods are shipped by truck through Azerbaijan to the port of Baku. The trucks then cross the Caspian Sea in ferries to Aktau, Kazakhstan.
- China: This route is less proven, but it may be of growing interest given the investment in China's "Belt and Road" infrastructure initiative. Goods arrive at Chinese ports, particularly Lianyungang, and are shipped by rail to border crossings at Khorgos or Dostyk. This could be a cost-effective option from the west coast of the United States.

Air shipment may be the best option for certain high-value and perishable products. For example, high-quality U.S. beef is currently shipped by plane to Kazakhstan.

It is important to note that many U.S. products currently available in Kazakhstan are first shipped to third countries, so the U.S. exporter may be unaware of the product's final destination. Even the Kazakhstani importer may not be aware of the origin of some products. Post has seen examples of U.S. produce purchased from suppliers in the Netherlands and U.S. nuts purchased from Turkish traders, among others. Though in some cases there may be more efficient ways to supply these products, often the importers in Kazakhstan purchase relatively small volumes that may be difficult to supply directly from the United States.

SECTION IV. – MARKET SECTOR STRUCTURE AND TRENDS

Hotel, Restaurant, and Institutional (HRI) Sector

The HRI sector is supplied by a number of distributors who source products locally and internationally. These companies are generally responsive to their clients in offering new products. Several international hotel chains operate in Kazakhstan, including Marriott, St. Regis, Radisson, Hilton, Ibis, Wyndham, and Turkish chain Rixos.

High-end restaurants and hotels actively source imported products, including U.S. foods, as they seek consistency and quality. Quick service restaurants and cafeterias, on the other hand, are more likely to source exclusively local products. Products not available domestically, such as frozen fries, are usually imported from Russia or the European Union. Besides local chains, several U.S., Russian, and European chains are present in Kazakhstan. Typically, new restaurant chains begin in Almaty. If successful, they spread to Nur-Sultan and other cities in Kazakhstan.

With the exception of quick service restaurants, eating out is a relative luxury in Kazakhstan. Restaurants are popular venues for celebrations, so restaurant patrons may be more amenable to splurge on imported products or to try new foods and beverages. This makes restaurants a good potential point of entry for new products in the Kazakhstani market.

Retail Sector

Much of Kazakhstan's retail food sector is still dominated by traditional markets and small stores. Markets often have sections where several vendors offer similar types of products (e.g., fresh meat, poultry, vegetables, fruits, sausages, candies). Some imported products are available at these markets, such as bulk tree nuts, wine, and prepackaged candies, but the vast majority are local. In summer months, farmer's markets also offer produce from small private gardens. Kazakhstanis often go to the local market for larger food purchases, perhaps once a week.

During the week, Kazakhstanis often turn to minimart-style stores located in and near residential buildings. These small stores offer a limited selection of the most commonly-used products. Minimarts are often supplied by companies that distribute their own products. This can cause sporadic availability when, for example, the local soft drink bottler is delayed in sending a truck. Some stores also buy imported or local goods at the regional wholesale market, often located just outside of the city. Overall, supply chains for these types of stores are very fractured.

Supermarkets are growing in importance in Kazakhstan, and they likely offer a better entry point for most U.S. retail goods. Supermarkets' selection of products is typically much wider. Some of Kazakhstan's largest supermarket chains include:

- Magnum: The largest grocery chain by turnover, Magnum has a presence in nine major cities. Magnum has a number of formats, from convenience stores to large supermarkets.
- Small: Small is the second largest grocer by value and largest by number of outlets. The company has over 85 stores in at least 12 cities.
- Ramstore: Owned by Turkish chain Migros, Ramstore is the third largest supermarket chain. It operates 15 stores in Almaty and three in Nur-Sultan. Given its Turkish origins, the company offers a number of Turkish brands and other products sourced in Turkey. The chain markets itself as being slightly more upscale than Magnum and Small.
- Metro Cash & Carry: Metro's main business is as an HRI distributor. However, the company also operates seven warehouse-style stores in major cities to supply individuals and small businesses. The chain is owned by Metro Group, based in Germany.

A number of other supermarket chains also exist, including Anvar, Firkan, and Ayan. Some chains, such as A2, have a smaller format more similar to traditional retail. Supermarket supply chains vary by company. Some supermarket chains prefer to import directly, while others work with local distributors. Companies with foreign owners, such as Ramstore, can make use of parent company distribution and logistics.

Smaller gourmet supermarket chains or individual stores offer a larger selection of imported products, including some from the United States. These types of stores may be good points of entry for high-value and specialty food and beverage products from the United States. Examples include Galmart (three stores in Nur-Sultan and Almaty), Interfood (11 stores in Nur-Sultan, Almaty, and Kapshagay), Esentai Gourmet (Almaty), and Colibri (Almaty).

Food Processing Sector

Kazakhstan's food processing sector is limited by the relatively small domestic demand for processed foods. Much food processing is localized; for example, few flour or milk brands are available nationwide. However, a few companies have wide distribution, including producers of processed meat products and confectionery. Tree nuts, including almonds and pistachios, are among the main food processing sector imports from the United States currently. These are used in confectionery, or lightly processed and re-packaged for consumer-friendly retail packs.

The Government of Kazakhstan and private sector investors are actively promoting development in the meat processing sector. For example, in December 2019 Kazakhstan signed an agreement with Tyson Foods and holding company Kusto Group to assess construction of a 2,000 head per day beef plant. Kazakhstan hopes to export beef to China, Russia, and the Middle East.

Best Prospects for U.S. Exporters

Healthy Foods: Kazakhstani consumers show a growing interest in foods considered "healthy." This includes a wide range of products, including prepackaged snack items, alternative grains and flours, and imported or exotic produce. These products are often sold in specialty or gourmet stores, and are frequently marketed as being natural. Kazakhstanis generally value products viewed as less processed and more "ecologically clean," though this concept is somewhat nebulous. Certifications and concepts such as "organic" are poorly understood.

High Value Products: Kazakhstan's landlocked status and relatively small volumes make air transport the best way to import many U.S. products. This tends to favor high-value goods.

Beer, Wine, and Spirits: Beverage alcohol is one of the strongest categories for the United States currently, with several major spirits and wine brands available. Alcohol importers report steadily growing imports, as consumers become more aware of the quality of U.S. brands. Craft beer options are currently very limited in Kazakhstan, but interest is growing. Pub-style restaurants featuring domestic mass-market beers are among the most popular eateries, and beer is a popular beverage for home consumption. Industry members note that new alcohol brands are most successful when launched in Almaty restaurants, before expanding to other cities and retail. Sustained promotion may be necessary in the early stages, until the brand becomes established.

Planting Seeds: Kazakhstan shares many climatic similarities with to portions of the United States. For example, much of northern Kazakhstan has a climate similar to the Northern Great Plains, and the Turkistan region has long been considered the Texas of Kazakhstan (both in terms of climate and attitude). This similarity creates strong interest in U.S. seed technology for wheat, linseed, lentils, corn, and others. Limitations on biotechnology (see latest biotechnology report via GAIN), a cumbersome seed registration system, and concerns over intellectual property rights have limited the availability of U.S. planting seeds. However, slow innovation in plant breeding and limited availability of domestic seeds create opportunities for U.S. suppliers.

Live Animals and Animal Genetics: As previously reported, Kazakhstan's government promotes the development of its livestock sector, particularly beef production. As part of this effort, Kazakhstan has imported thousands of head of live breeding cattle from the United States. While excellent opportunities for live animals continue, trade is currently limited due difficult logistics, lack of financing for farmers, and intermittent availability of subsidies. In part due to these issues, there is growing interest in embryo and semen imports to improve animal genetics.

SECTION V. – AGRICULTURAL and FOOD IMPORTS

Agricultural & Food Import Statistics

As noted in Section III above, U.S. products may transit one or more other countries before arriving in Kazakhstan. Therefore, it is difficult to know whether trade data provides a full picture of the origin of imported food products. Nevertheless, the Appendix for this report contains Kazakhstani import statistics for food, agricultural, and related products.

Fastest-Growing Consumer-Oriented Product Imports

As demonstrated below, the United States currently has a very low market share in most of the fastest-growing consumer food products. However, this should not necessarily discourage U.S. exporters. For example, though U.S. market share in the chocolate and cocoa products category is currently negligible, imports of these products from the United States grew by over 20 percent in 2018. Wine and beer are included below despite the fact that overall wine and beer imports declined slightly in 2018, as imports from the United States increased over 60 percent.

Fastest-Growing Consumer-Oriented Product Imports to Kazakhstan*			
Description	2018 Value (USD)	Overall Import Growth in 2018	U.S. Share in 2018
Distilled Spirits	87,889,503	41.7%	5.7%
Eggs & Products	10,868,285	25.5%	0.0%
Fresh Fruit	405,664,905	24.5%	0.0%
Processed Vegetables	97,405,586	17.5%	0.4%
Spices	10,019,692	15.4%	0.0%
Fish Products	89,130,565	15.2%	0.1%
Coffee, Roasted and Extracts	46,497,439	11.6%	0.0%
Non-Alcoholic Bev. (ex. juices, coffee, tea)	15,807,141	11.4%	2.3%
Dog & Cat Food	27,505,346	8.9%	0.0%
Fruit & Vegetable Juices	36,478,574	7.4%	0.0%
Tree Nuts	88,413,258	7.1%	8.4%
Chocolate & Cocoa Products	182,271,936	6.0%	0.0%
Fresh Vegetables	149,948,726	5.8%	0.0%
Poultry Meat & Prods. (ex. eggs)	159,781,696	5.8%	58.7%
Snack Foods NESOI	150,590,328	5.1%	0.1%
Wine & Beer	84,236,735	-1.8%	1.0%

Source: Trade Data Monitor
*Includes consumer-oriented categories with over five percent growth in 2018 (plus wine/beer).

SECTION VI. – KEY CONTACTS and FURTHER INFORMATION

U.S. Department of Agriculture

Office of Agricultural Affairs
U.S. Embassy Nur-Sultan
Rakhymzhan Koshkarbayev Avenue 3
Nur-Sultan, Kazakhstan, 010010
Tel: +7 (7172) 70-24-90
Email: AgNur-Sultan@state.gov

Government of Kazakhstan

Ministry of Agriculture
Kenesary st.,36
Nur-Sultan, 010000
Tel: +7 (7172) 555 763
https://moa.gov.kz/en

Ministry of Health
Mangilik Yel 8 Ave., House of Ministries entrance 5
Nur-Sultan, Kazakhstan, 010000
Tel: +7 (7172) 74 39 80
Email: minzdrav@mz.gov.kz
http://dsm.gov.kz/en

Ministry of Trade and Integration
Mangilik Yel Ave, bld 8
Nur-Sultan, Kazakhstan, 010000
Tel: +7 (7172) 768805
http://trade.gov.kz/en/

Attachments:

Kazakhstan - Exporter Guide - appendix.docx