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Kazakhstan - Republic of

Grain and Feed Annual

Kazakhstan Grain and Feed Annual Report

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Report Highlights:

FAS/Astana forecasts Kazakhstani wheat production in MY 2018/2019 at 14 million metric tons (MMT), 0.8 MMT less than in MY 2017/2018, as wheat sown area is expected to fall, reducing harvested area. Kazakhstani wheat exports in MY 2018/2019 are forecast at 8.0 MMT, flat from the wheat exports estimate for MY 2017/2018. FAS/Astana forecasts Kazakhstani barley production in MY 2018/2019 at 3.3 MMT, flat from the barley production in MY 2017/2018, due to nearly equal sown area.

PRODUCTION

FAS/Astana forecasts Kazakhstani wheat production in MY 2018/2019 at 14 MMT, 0.8 MMT less than estimated for MY 2017/2018. This slight drop in the forecast is because wheat sown area is expected to decline, reducing harvested area and production. Industry sources note that while farmers' margins on wheat have decreased over the last couple years, farmers still have a preference for producing wheat because they know how to store and sell it, and they trust in consistent demand. Moreover, the wheat farmer is forever optimistic about the next "super margin," the last of which they experienced in 2011. This winter season farmers observed low snowfall (only 5-6 cm of snow on fallows and 15-16 cm of snow on stubble field in Northern Kazakhstan), and they fear possible drought in MY 2018/2019.

In March the Kazakhstani Ministry of Agriculture reported the total sown area for 2018 is expected to be 21.8 million hectares, 0.2 million fewer hectares than in 2017. The spring sowing will reach 18.5 million hectares. The following diversification is expected in 2018:

- the area for corn for grain, barley, oat, oilseeds and feeding crops will increase;
- the area for wheat will decrease 543,600 hectares;
- the area for cotton will decrease 24,600 hectares. See Table 1 for details.

Table 1. Kazakhstan 2018 Planting Strategy (Thousand Hectares)

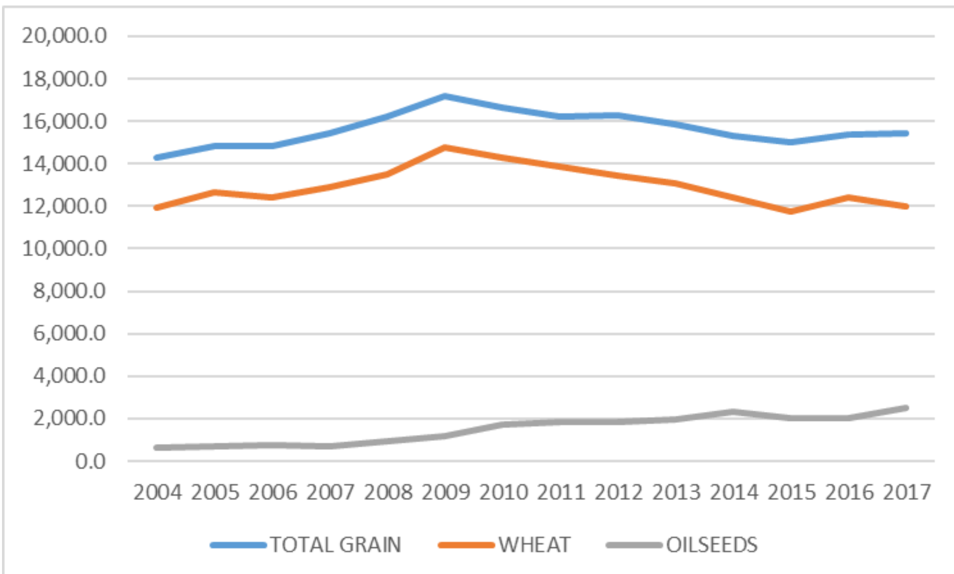
Crop/area	2018 estimated planting area	2017 harvested area	2018 to 2017	
			(+,-)	%
Total planted area	21,825.6	21,889.5	-63.9	99.7
Including spring plantings	18,245.6	19,066.6	-641.0	96.6
Grains	14,681.6	15,380.0	-698.4	95.5
Including Wheat	11,420.6	11,964.2	-543.6	95.5
Rice	95.8	104.7	-8.8	91.6
Corn	147.6	138.5	9.1	106.6
Barley	2,105.2	2,075.9	29.3	101.4
Oat	231.5	219.1	12.4	105.7
Pulses	418.2	446.3	-28.1	93.7
Oilseeds	2,562.1	2,481.8	80.3	103.2
Sugar beet	17.7	19.2	-1.5	92.2
Cotton	110.0	134.6	-24.6	81.7
Potato	210.3	183.5	26.8	114.6
Vegetables	151.8	144.8	7.0	104.8
Horticulture	95.1	93.8	1.3	101.4
Feeding crops	3,996.5	3,451.4	545.1	115.8

Source: Kazakhstan Ministry of Agriculture

During a planting-season briefing, the regional Divisions of Agriculture reported no shortages of grain crop seeds in their regions. However, the majority of farmers economize by continuing to use their commercial wheat stocks as planting seeds, which negatively affects the wheat quality. Additionally, most farmers do not use fertilizer in spite of government subsidies. Mineral fertilizer application in 2017 was 368,400 tons, which is 41 percent higher than in 2016 (at 260,900 tons). In MY 2018/2019 farmers plan to apply 446,000 tons of fertilizers; however, all these gains add up to only 14 percent of country's potential demand for mineral fertilizers. Domestic phosphate and liquid nitrogen producers supply 75 percent of this volume. The low usage of chemical fertilizer seems to stem from farmers' lack of interest to change their traditional methods, and along with the traditional use of seed stocks may contribute to declining wheat quality in the future.

The Ministry of Agriculture's planting strategy of 11.420 million hectares for wheat in MY 2018/2019 is the lowest historical area for wheat since 2004, except for 2015, and at the same time the highest area for oilseeds of 2.6 million hectares. Please, see Chart 1 below.

Chart 1. Grain, Wheat, and Oilseeds Area (Thousand Hectares)



Source: Kazakhstan Statistics Service and Kazakhstani Ministry of Agriculture

Even considering subsidies, the main driving factor for oilseeds production in Kazakhstan is the higher margin that farmers can get compared to wheat production. Please, see Table 2 below.

Table 2. Kazakhstan Cost of Production and Market Price for Wheat and Oilseeds

Crop	Cost of production, $/ton	Market price, $/ton
Wheat	109	131
Red lentil	109	375
Green lentil	109	468-625
Flax	109	296
Sunflower	94	281

Source: KazGrain 2018 conference

Barley:

FAS/Astana forecasts Kazakhstani barley production in MY 2018/2019 at 3.3 MMT, flat from the barley production estimate for MY 2017/2018. Barley planted area in MY 2018/2019 is estimated at 2.1 million hectares, slightly more than in MY 2017/2018, as barley continues to be the grain most fed to cattle in Kazakhstan and continues to be in demand by importing countries.

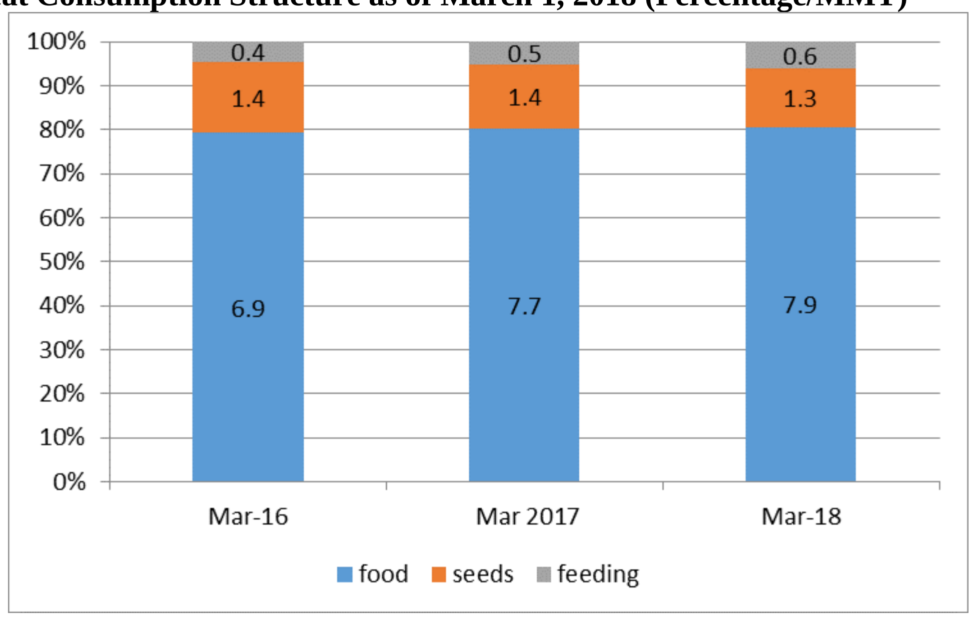
CONSUMPTION

Wheat:

Food, seed, and industrial (FSI) consumption for wheat is expected to remain unchanged in marketing year (MY) 2018/2019 at 4.8 MMT. Although flour consumption is expected to grow modestly along with population growth, seed use is forecast to fall as planted area continues to shift slowly away from wheat.

As of March 1, 2018, nearly 84 percent of wheat is used for food consumption, 9 percent for seed and 6 percent for feed. A year ago, the wheat consumption pattern was nearly identical to the 2017 data, showing 82 percent for food, 11 percent for seed and 5 percent for feed. Please, see Chart 2 below.

Chart 2. Wheat Consumption Structure as of March 1, 2018 (Percentage/MMT)

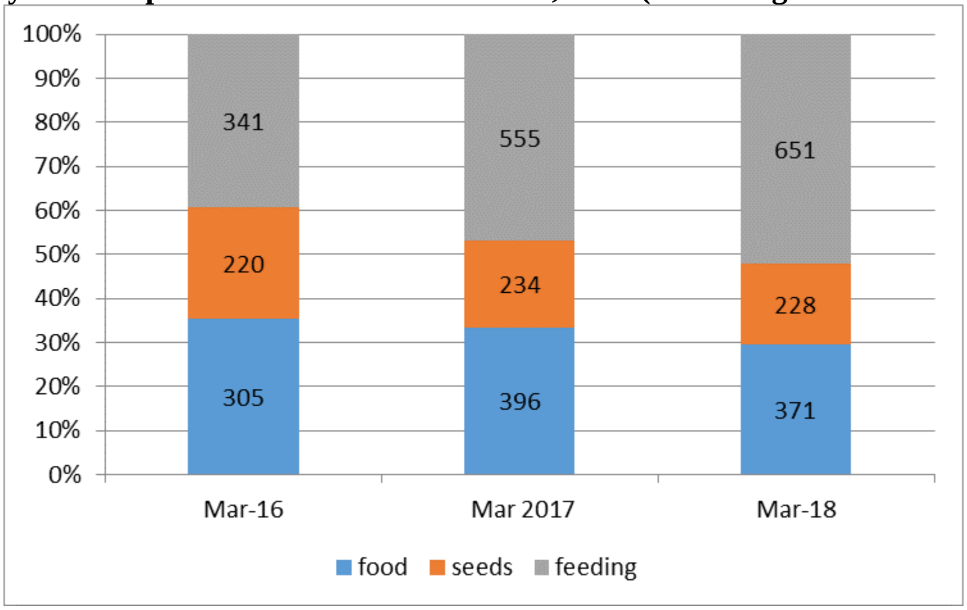


Source: Kazakhstan Statistical Service

Barley:

Barley consumption includes 30 percent for food, 18 percent for seed, and 52 percent for feed. The barley consumption structure changed slightly this year with an increase in feed use. Please, see Chart 3 below.

Chart 3. Barley Consumption Structure as of March 1, 2018 (Percentage/Thousand MT)

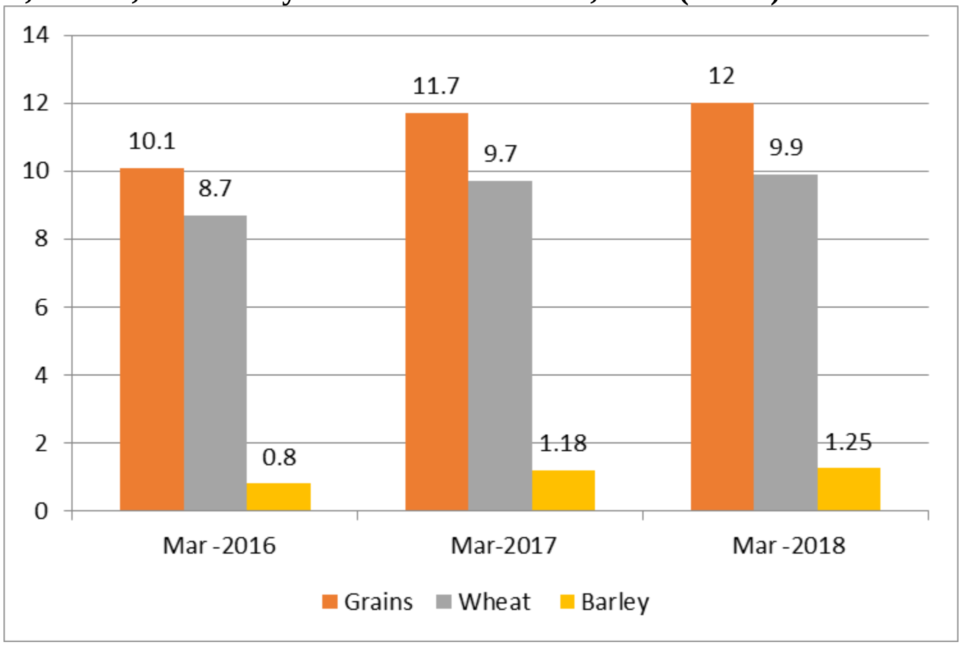


Source: Kazakhstan Statistical Service

STOCKS

The Kazakhstan Statistical Agency reported on March 1, 2018, that grain stocks reached 12 MMT, 2 percent more than in 2017. Wheat stocks total 9.9 MMT, or 2 percent higher than wheat stocks on March 1, 2017. Wheat stocks have been increasing over the last three years (see Chart 4), which traders attribute to a corresponding decrease in quality of wheat. Certain stocks remain because they simply cannot meet basic standards. Barley stocks are reported at 1.25 MMT, as of March 1, 2018, slightly higher than the 2017 stocks, according to the Kazakhstan Statistical Agency.

Chart 4. Grains, Wheat, and Barley Stocks as of March 1, 2018 (MMT)



Source: Kazakhstan Statistical Agency

TRADE

The national railway operator, Kazakhstan Temir Zholy (KTZ), reported it transported 3.2 million tons of grain and one million tons of wheat flour or an increase of 60% and 33% year over year, respectively.

Availability of wagons for shipments remains a problem. The major reason for this is that receiving countries keep wagons longer than necessary for return shipments to Kazakhstan. For instance, wagons that should come back from Azerbaijan in ten days, instead take twenty days. Railway authorities ask relevant countries to return wagons on time, but have not seen any improvements yet.

The grain logistics infrastructure continues to develop in countries where Kazakh grain transits. In particular, feeder vessels of Azerbaijan Caspian Shipping Company will provide weekly container shipping services between Aktau and Baku seaports, according to the International Association Trans-Caspian International Transport Route (TCITR). The container handling in the ports of Aktau and Baku will not exceed 24 hours. The delivery from the seaport of Aktau to the port of Baku takes 36 hours. Along with Kazakhstan's export cargoes, feeder vessels will ship cargo in transit from China to Europe. In Baku, Azerbaijan Railways and Georgian Railways will ship the containers to the Turkish port of Mersin via the Baku-Tbilisi-Kars railway line that opened in 2017. On April 5 in the Aktau seaport, the feeder vessel "Mahmud Rahimov" loaded 70 twenty-foot containers (TEU) with wheat and lentils produced in Kazakhstan. The next service is scheduled for April 11, and a second feeder vessel will be added to the TCITR service on the in May.

The TCITR project was initiated to increase the transit potential and development of countries in the Caspian region. The current route goes from China to Europe through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, and Turkey. As a result of joint work by the participants, TCITR created the container service, Nomad Express, and organized pilot container trains from China to Azerbaijan and Turkey.

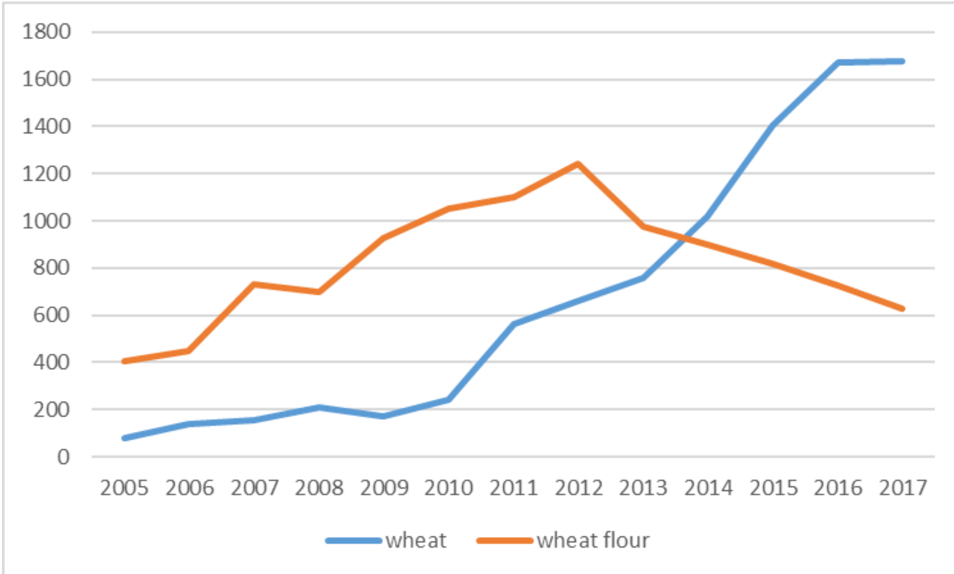
Some grain exporters have complained about adherence to the many changes in wheat and barley quality requirements. Not only have individual importing countries increased testing demands (see Table 3), but Kazakhstan itself has inconsistently applied efforts at regional standards harmonization. Exporters can find themselves caught between buyers who demand these standards, suppliers who do not meet them, and outdated laboratories that lack the capacity to test for new, stricter standards.

Table 3. Comparison of Qualitative Indicators in 2007 and 2017

	2007	2017
Wheat /Central Asia	Test weight Moisture Wet gluten Foreign matter Grain admixture Organoleptic	Test weight Moisture Wet gluten Foreign matter Grain admixture Organoleptic Vitrescence ‘W’ Gluten Deformation Index
Feed Barley/Iran	Certificate of health Certificate of non-radiation Certificate of quality Certificate of weight Certificate of inspection	Certificate of health Certificate of non-radiation Certificate of quality Certificate of weight Certificate of inspection Certificate of non-GMO Analysis for 47 pesticides

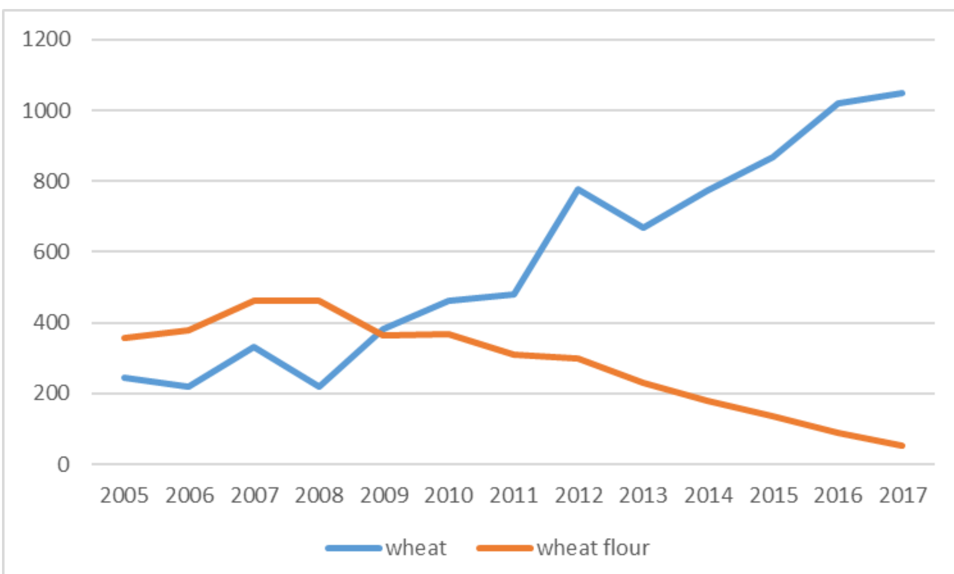
The other Central Asian countries continue to develop their milling industries and Kazakhstan is exporting more wheat for blending and shipping to Afghanistan. For instance, Kazakhstani wheat flour exports to Uzbekistan has steadily decreased since 2012 while wheat exports continuing to increase. See Chart 5 below.

Chart 5. Kazakhstan Export of Wheat and Wheat Flour to Uzbekistan, thousand MT



Similarly, as Tajikistan developed its own milling industry so began a downward trajectory in imports of wheat flour in 2008 and Kazakhstan has increased wheat exports. See Chart 6 below.

Chart 6. Kazakhstan Export of Wheat and Wheat Flour to Tajikistan, thousand MT



Wheat exports to China shot up nearly 50 percent in MY2016/2017 and another 23 percent in MY 2017/2018. Exports to Vietnam are increasing due to improved logistics via China. Italy and Turkey have increased their imports due to great interest in durum wheat. Similarly, Tunisia and Algeria are newly importing durum wheat from Kazakhstan. For more detail please see Table 4 below.

Table 4. Kazakhstan Wheat Exports, MT

Kazakhstan Export Statistics Commodity: 1001, Wheat And Meslin Year Ending: February								
Partner Country	Unit	Quantity			% Share			% Change
		2016	2017	2018	2016	2017	2018	2018/2017
World	T	3,389,006	3,616,704	4,469,831	100.00	100.00	100.00	23.59
Uzbekistan	T	1,444,493	1,609,975	1,957,718	42.62	44.51	43.80	21.60
Tajikistan	T	887,448	1,004,391	1,059,791	26.19	27.77	23.71	5.52
Afghanistan	T	175,352	235,393	359,349	5.17	6.51	8.04	52.66
China	T	182,069	272,544	336,821	5.37	7.54	7.54	23.58
Italy	T	45,248	184,119	279,087	1.34	5.09	6.24	51.58
Turkey	T	53,923	61,584	233,993	1.59	1.70	5.23	279.96
Azerbaijan	T	107,629	38,203	109,677	3.18	1.06	2.45	187.09
Sweden	T	14,619	40,093	41,851	0.43	1.11	0.94	4.38
Tunisia	T	-	5,210	32,558	0.00	0.14	0.73	524.93
Iran	T	254,736	129,267	20,191	7.52	3.57	0.45	- 84.38
Georgia	T	2,085	-	13,733	0.06	0.00	0.31	0.00
Spain	T	-	-	6,017	0.00	0.00	0.13	0.00
Poland	T	6,457	11,658	5,080	0.19	0.32	0.11	- 56.43
Algeria	T	-	-	5,000	0.00	0.00	0.11	0.00
Finland	T	550	6,710	3,987	0.02	0.19	0.09	- 40.58
Vietnam	T	-	720	2,565	0.00	0.02	0.06	256.25
Netherlands	T	4,048	6,257	1,486	0.12	0.17	0.03	- 76.25
Germany	T	-	21	928	0.00	0.00	0.02	4319.05
Norway	T	5,600	-	-	0.17	0.00	0.00	0.00
Kyrgyzstan	T	198,749	-	-	5.86	0.00	0.00	0.00
Latvia	T	6,000	-	-	0.18	0.00	0.00	0.00
United Arab Emirates	T	-	1,000	-	0.00	0.03	0.00	- 100.00
United Kingdom	T	-	4,560	-	0.00	0.13	0.00	- 100.00
United States	T	-	5,000	-	0.00	0.14	0.00	- 100.00

Source of Data: Customs Control Committee of the Ministry of Finance

Although Kazakhstan's export markets have grown lately, Post forecasts flat wheat exports at 8 MMT in MY 2018/2019. While the major importers in Central Asia remain consistent, the newer markets cannot yet be relied upon if Kazakh wheat quality falls below that of its competitors.

MY 2018/2019 Kazakhstani barley exports are forecast at 1.1 MMT, flat from the barley exports in MY 2017/2018. Demand remains stable in many of the Central Asian markets where Kazakhstan has traditionally exported. Exporters note that Iran is willing to pay a premium for high quality, and suppliers compete for the premium. On average 60 to 90 percent of Kazakhstan's barley exports go to Iran. Please see Table 5 below.

Table 5. Kazakhstan Barley Exports, MT

Kazakhstan Export Statistics Commodity: 1003, Barley Year Ending: February								
Partner Country	Unit	Quantity			% Share			% Change
		2016	2017	2018	2016	2017	2018	2018/2017
World	T	836,824	599,768	1,093,934	100.00	100.00	100.00	82.39
Iran	T	778,281	522,317	1,039,864	93.00	87.09	95.06	99.09
Uzbekistan	T	31,462	30,256	30,758	3.76	5.04	2.81	1.66
Afghanistan	T	9,082	17,364	15,470	1.09	2.90	1.41	- 10.91
United Kingdom	T	-	-	3,954	0.00	0.00	0.36	0.00
Tajikistan	T	1,126	594	3,758	0.13	0.10	0.34	532.66
Czech Republic	T	-	-	66	0.00	0.00	0.01	0.00
Netherlands	T	-	-	64	0.00	0.00	0.01	0.00
Germany	T	-	6,136	-	0.00	1.02	0.00	- 100.00
Kyrgyzstan	T	2,440	-	-	0.29	0.00	0.00	0.00
Turkey	T	4,803	-	-	0.57	0.00	0.00	0.00
Turkmenistan	T	130	-	-	0.02	0.00	0.00	0.00
United States	T	9,500	23,100	-	1.14	3.85	0.00	- 100.00

Source of Data: Customs Control Committee of the Ministry of Finance

POLICY

The major policy changes in Kazakhstan that affect wheat production were discussed and announced in the beginning of 2018. Please, see GAIN report on Kazakhstan agricultural policy changes for those changes.

In addition to subsidy support programs, the Ministry of Agriculture plans to reform the seeds breeding sector. The newly proposed reform in the seeds sector will create a group of ‘accredited agronomists’ and reduce the functions of the State Commission for Crop Varieties Testing. The new accredited agronomists will have the authority to run varietal testing and offer services for patent registration. The scientific research institutions will provide land plots for field trials, and accredited laboratories will test seeds. Such arrangement aims to liberalize the seeds sector and give farmers access to higher quality seeds. Previously the State Commission for Crop Varieties Testing managed all of the above-mentioned functions, which made the seeds varietal registration process very slow.

According to the Ministry of Agriculture, the abovementioned policy changes were discussed among many interested parties and farmers groups; however, industry sources believe they may not come into force until after the planting season, no sooner than the summer of 2018.

NOTE: The National Bank of Kazakhstan exchange rate as of April 10, 2018: 1 USD = 320.29 KZT

PSD

Wheat	2016/2017		2017/2018		2018/2019	
Market Begin Year	Sep 2016		Sep 2017		Sep 2018	
Kazakhstan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12373	12373	11912	11912	0	11420
Beginning Stocks	2599	2599	3364	3364	0	3327
Production	14985	14985	14802	14803	0	14000
MY Imports	80	80	60	60	0	60
TY Imports	78	78	60	60	0	60
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	17664	17664	18226	18227	0	17387
MY Exports	7400	7400	8000	8000	0	8000
TY Exports	7250	7250	8000	8000	0	8000
Feed and Residual	2100	2100	2100	2100	0	2100
FSI Consumption	4800	4800	4800	4800	0	4800
Total Consumption	6900	6900	6900	6900	0	6900
Ending Stocks	3364	3364	3326	3327	0	2487
Total Distribution	17664	17664	18226	18227	0	17387
Yield	1.2111	1.2111	1.2426	1.2427	0	1.2259
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Kazakhstan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1893	1893	2069	2069	0	2105
Beginning Stocks	116	116	396	396	0	411
Production	3231	3231	3305	3305	0	3300
MY Imports	2	2	10	10	0	10
TY Imports	4	4	10	10	0	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3349	3349	3711	3711	0	3721
MY Exports	753	753	1100	1100	0	1100
TY Exports	823	823	1100	1100	0	1100
Feed and Residual	1900	1900	1900	1900	0	1900
FSI Consumption	300	300	300	300	0	300
Total Consumption	2200	2200	2200	2200	0	2200
Ending Stocks	396	396	411	411	0	421
Total Distribution	3349	3349	3711	3711	0	3721
Yield	1.7068	1.7068	1.5974	1.5974	0	1.5677
(1000 HA) ,(1000 MT) ,(MT/HA)						