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Kazakhstan - Republic of

Grain and Feed Annual

Kazakhstan Grain and Feed Annual

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Report Highlights:
Kazakhstan 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 an historical low of 11.2 million hectares. Wheat production is forecast in MY2019/20 at 14.0 MMT. Barley production in MY2019/20 is also forecast to be on par with the previous year, forecast at 4 MMT.

PRODUCTION

Kazakhstan 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 an historical low of 11.2 million hectares and wheat production is forecast in MY2019/20 at 14.0 MMT. Post estimates wheat production in MY 2018/2019 at 13.98 million metric tons (MMT), relatively unchanged from the last estimate and on par with MY 2017/2018.

As for barley, the Post forecast for MY2019/2020 is 4 MMT, keeping pace with the MY 2018/2019 record high of 3.97 MMT, against 3.3 MMT in 2017/18. Barley planted area in MY 2019/2020 is estimated at 2.5 million hectares, slightly more than in MY 2018/2019. Although farmers reported that they intended to shift from wheat to barley planting, the data shows that the area for barley in MY 2019/20 increased just very slightly.

In March, the Kazakhstani Ministry of Agriculture reported the total sown area for MY 2019/2020 is expected to be 22.3 million hectares, 0.2 million hectares more than in MY 2018/2019. The following crops diversification is expected in 2019:

- the area for corn for corn, barley, oat and feeding crops will increase;
- the area for wheat will decrease for 168,300 hectares and reach 11.2 million hectares;
- the area for oilseeds will decrease 118,600 hectares and reach 2.7 million hectares.
  See Table 1 for details.

Table 1. Kazakhstan 2019 Planting Strategy (Thousand Hectares)

Crop/area	2019 estimated planting area	2018 harvested area	2019 to 2018	
			(+,-)	%
Total planted area	22,301.9	22,011.2	290.7	101.3
Grains	14,888.9	15,135.0	-246.4	98.4
Including Wheat	11,240.0	11,408.3	-168.3	98.5
Rice	99.6	102.0	-2.4	97.6
Corn	167.3	152.8	14.5	109.5
Barley	2,574.3	2,531.6	42.7	101.7
Oat	226.0	246.1	-20.1	91.8
Pulses	308.1	433.3	-125.2	71.1
Oilseeds	2,719.6	2,838.2	-118.6	95.8
Sugar beet	22.2	19.6	2.6	113.3
Cotton	110.0	132.5	-22.5	83.0
Potato	207.3	193.1	14.2	107.4
Vegetables	158.5	152.0	6.5	104.3
Horticulture	97.6	96.1	1.5	101.6
Feeding crops	4,097.2	3,443.1	654.1	119.0

Source: Kazakhstan Ministry of Agriculture

The Ministry of Agriculture's planting strategy of 11.2 million hectares for wheat in MY 2019/2020 is the lowest area for wheat since 2004 and at the same time the highest area for barley of 2.5 million

hectares. This winter season farmers observed higher snowfall from last year, which reached 22-44 cm of snow on fallows and 16-42 cm of snow on winter tillage and 17-42 cm on stubble fields.

Mineral fertilizer applications in Kazakhstan remain at very low levels, reaching only 18 percent of the country's need in MY 2018/2019 or 463,200 tons of fertilizers applied. See Table 2 for more details.

Table 2. Mineral Fertilizer Applications in Kazakhstan, 2017-2018

	2017		2018	
	Mineral fertilizer applied, thousand tons	% from the country's need	Mineral fertilizer applied, thousand tons	% from the country's need
Kostanay	17.5	4	29.5	6
Akmola	33.4	8	57.9	14
North-Kazakhstan region	83.7	23	107.2	30
Country total	17,548	14	463,200	18

Source: Kazakhstan Ministry of Agriculture

The low usage of chemical fertilizer seems to stem from farmers' lack of interest in changing their traditional methods, and along with the traditional use of seed stocks these factors may contribute to declining wheat quality in the future. In particular, the Kostanai region has seen grain yield and quality decrease over the past five years due to low use of mineral fertilizers according to state regional authorities. Grain quality has significantly decreased, their report says. For example, 10 percent of grain brought to grain storage facilities was assessed as 4th grade in 2014 compared to 24 percent in 2018. Agrochemical surveys show that in the last 10 years the humus content in soils has dropped and now its average amount does not exceed 3.3 percent while the norm requires 3.5-4 percent.

Wheat area in the Kostanai region is expected at 3.4 million ha this year or no change from the last year, according to the regional agricultural department and oilseeds crops will be sowed on 476,000 hectares or 46,000 hectares more from last year.

As of January 1, 2019 agricultural producers have 147,000 tractors, 3,900 sowing machines, 79,400 seeders and 249,000 units for soil treatment available for the coming planting season. Agricultural equipment imports are subsidized in Kazakhstan at 25% of the cost, at the same time financial leasing is provided at 10 percent interest rate. For the upcoming planting works farmers will get 380,000 tons of diesel fuel available at a cheaper price 176,000 tenge ($463) per ton, 10 percent cheaper than the market price. Also, this year a total of 60 billion tenge ($157 million) will be made available for preferential loans to farmers at a 7 percent interest rate.

CONSUMPTION

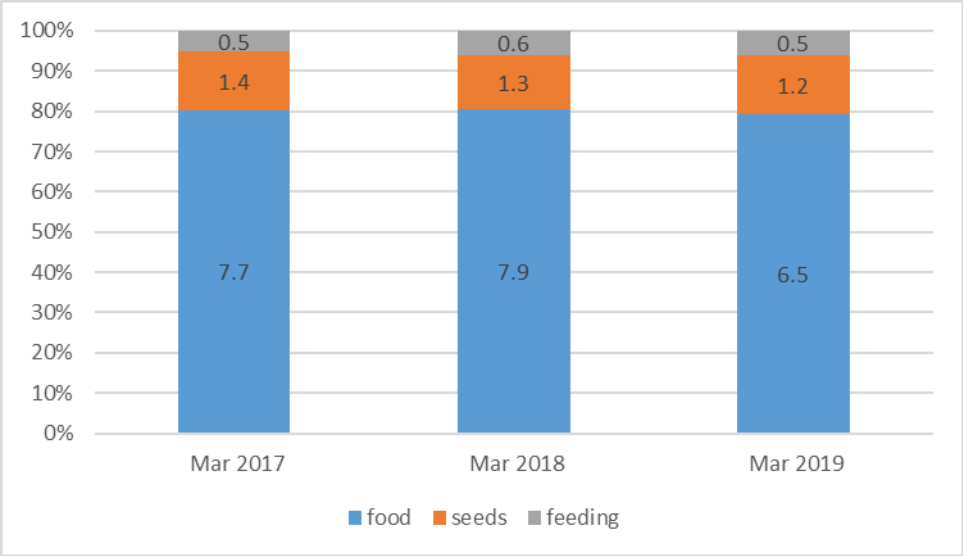
Wheat:

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.

A gluten, starch, DDGS feed and bioethanol production facility in North Kazakhstan with 270,000 tons of wheat processing capacity per year was restored and launched in October 2018. This facility was built in 2006, but failed to produce bioethanol.

As of March 1, 2019, nearly 80 percent of wheat is used for food consumption, 14 percent for seed and 6 percent for feed. A year ago, the wheat consumption pattern was nearly identical, showing 81 percent for food, 13 percent for seed and 6 percent for feed. See Chart 2 below.

Chart 2. Wheat Consumption Structure as of March 1, 2019 (Percentage/MMT)

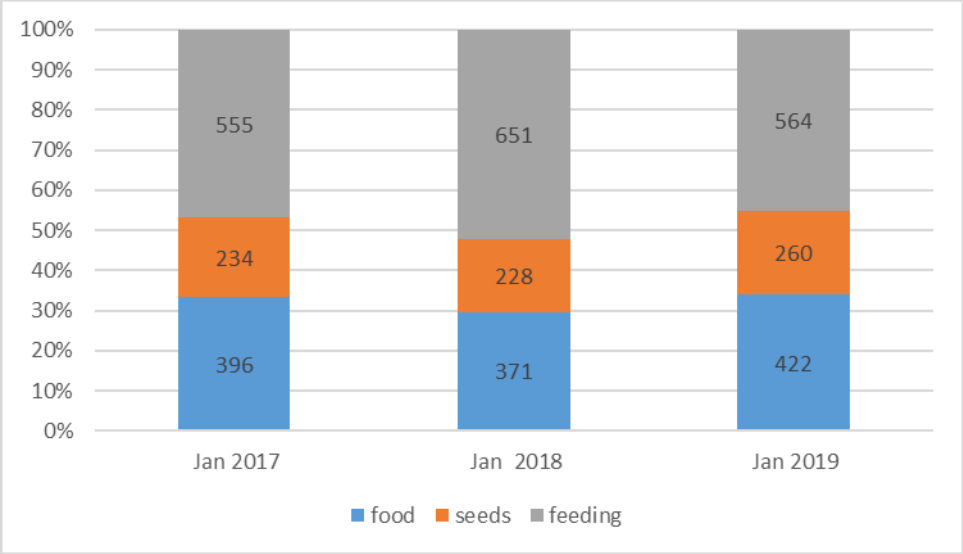


Source: Kazakhstan Statistical Service

Barley:

Barley consumption includes 33 percent for food, 20 percent for seed, and 45 percent for feed.
The barley consumption structure changed slightly this year with an increase in seed use for upcoming planting works. See Chart 3 below.

Chart 3. Barley Consumption Structure as of March 1, 2019 (Percentage/Thousand MT)

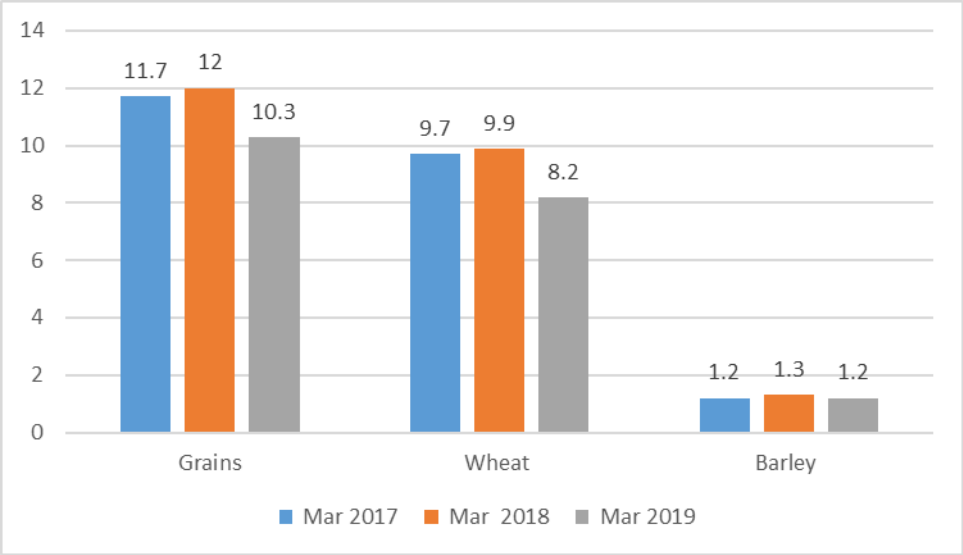


Source: Kazakhstan Statistical Service

STOCKS

Grain stocks are lower than last year's level. As of March 1, 2019, grain stocks reached 10 MMT, 15 percent less than in 2018. Wheat stocks totaled 8.2 MMT, or 18 percent smaller than wheat stocks on March 1, 2018. Traders attribute wheat stocks (see Chart 4) to continuing export shipping, as farmers made their selling decisions at the end of exporting season. Barley stocks are reported at 1.2 MMT, as of March 1, 2019, slightly higher than the 2018 stocks, according to the Kazakhstan Statistical Agency.

Chart 4. Grains, Wheat, and Barley Stocks as of March 1, 2019 (MMT)



Source: Kazakhstan Statistical Agency

TRADE

Post forecasts Kazakhstani wheat exports in MY 2019/2020 at 7.5 MMT due to a number of factors. In particular, MY 2019/2020 carry-over stocks are expected to be smaller than last year, and import demand from Central Asian countries is expected to be consistent and significant. MY 2018/2019 wheat export volumes have been reduced as a result of a smaller crop. Central Asia is expected to remain a key market for Kazakhstan. In addition, these countries have been constructing mills and there has been a slow but steady shift from importing flour to importing wheat.

The interim agreement on a free trade area between the Eurasian Economic Union and its member states and Iran was signed in February 2019. According to the agreement, wheat from Russia and Kazakhstan will be supplied to Iran without customs duties and other fees equivalent to it. In addition, Iran will allow the transit of wheat through its territory and support the import of wheat as part of the implementation of swap contracts. It will also ensure that existing or future bans, as well as other restrictions on the use, marketing, sale, supply and sale of wheat to Iran will not apply to wheat temporarily imported into Iranian territory for further processing and export. The Russian and Kazakh sides will support the development of a mechanism for providing credit lines to Iranian buyers for buying wheat from them while guaranteeing that the wheat delivered to Iran meets its sanitary and phytosanitary requirements

Wheat exports to China shot up nearly 86 percent in MY 2018/2019. However exporters note that Chinese imports are highly regulated and constrained by high VAT and customs duty rates for wheat and wheat flour. 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 details, see Table 4 below.

Table 4. Kazakhstan Wheat Exports, MT

Kazakhstan Export Statistics Commodity: 1001, Wheat And Meslin								
Year Ending: September								
Partner Country	**Unit**	**Quantity**			**% Share**			**% Change**
		2016	**2017**	**2018**	**2016**	**2017**	**2018**	**2018/2017**
World	T	3661556	3663768	5516867	100.00	100.00	100.00	50.58
Uzbekistan	T	1531177	1689228	2183430	41.82	46.11	39.58	29.26
Tajikistan	T	943171	1012367	1062456	25.76	27.63	19.26	4.95
China	T	298138	262364	490174	8.14	7.16	8.88	86.83
Italy	T	91540	249843	364247	2.50	6.82	6.60	45.79
Afghanistan	T	268165	252765	363085	7.32	6.90	6.58	43.65
Turkey	T	84482	71961	341351	2.31	1.96	6.19	374.36
Azerbaijan	T	80772	49251	255691	2.21	1.34	4.63	419.16
Turkmenistan	T	0	0	144062	0.00	0.00	2.61	0.00
Georgia	T	2085	22	73680	0.06	0.00	1.34	∞
Iran	T	277134	8361	53537	7.57	0.23	0.97	540.32
Sweden	T	29409	36649	36881	0.80	1.00	0.67	0.63
Vietnam	T	0	720	29133	0.00	0.02	0.53	3946.18
Tunisia	T	5210	18891	28909	0.14	0.52	0.52	53.02

Spain	T	0	0	27431	0.00	0.00	0.50	0.00
Norway	T	5600	0	20995	0.15	0.00	0.38	0.00
Greece	T	0	0	15291	0.00	0.00	0.28	0.00
Poland	T	18115	1589	6810	0.49	0.04	0.12	328.55
Netherlands	T	9999	306	5476	0.27	0.01	0.10	1691.33
Algeria	T	0	0	5000	0.00	0.00	0.09	0.00
Lebanon	T	0	0	2940	0.00	0.00	0.05	0.00
Finland	T	0	8697	2000	0.00	0.24	0.04	- 77.00
Latvia	T	6000	0	1593	0.16	0.00	0.03	0.00
Jordan	T	0	0	1008	0.00	0.00	0.02	0.00
Ukraine	T	0	0	853	0.00	0.00	0.02	0.00
Germany	T	0	752	813	0.00	0.02	0.01	8.11
Lithuania	T	0	0	22	0.00	0.00	0.00	0.00
United Arab Emirates	T	1000	0	0	0.03	0.00	0.00	0.00
United Kingdom	T	4560	0	0	0.12	0.00	0.00	0.00
United States	T	5000	0	0	0.14	0.00	0.00	0.00

Although Kazakhstan's export markets have grown lately, Post forecasts flat wheat exports at 8 MMT in MY 2018/2019, while MY 2019/2020 exports are estimated at 7.5 MMT. 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 2019/2020 Kazakhstani barley exports are forecast at 1.8 MMT, flat from the barley exports in MY 2018/2019. 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: September								
Partner Country	**Unit**	**Quantity**			**% Share**			**% Change**
		2016	**2017**	**2018**	**2016**	**2017**	**2018**	**2018/2017**
World	T	775736	821124	1410530	100.00	100.00	100.00	71.78
Iran	T	713156	752017	1321597	91.93	91.58	93.70	75.74
Uzbekistan	T	24289	30026	63307	3.13	3.66	4.49	110.84
Afghanistan	T	19597	12746	12619	2.53	1.55	0.89	- 1.00
Germany	T	6136	0	6136	0.79	0.00	0.44	0.00
United Kingdom	T	0	990	3615	0.00	0.12	0.26	265.28
Tajikistan	T	126	2246	2364	0.02	0.27	0.17	5.24
Iraq	T	0	0	466	0.00	0.00	0.03	0.00
Turkmenistan	T	130	0	210	0.02	0.00	0.01	0.00

Czech Republic	T	0	0	110	0.00	0.00	0.01	0.00
Netherlands	T	0	0	108	0.00	0.00	0.01	0.00
Turkey	T	2802	0	0	0.36	0.00	0.00	0.00
United States	T	9500	23100	0	1.22	2.81	0.00	- 100.00

Eurasian Economic Union Trade:

Please see Table 6, below, for EAEU trade numbers for January-December 2018. Industry sources indicate, that some volumes of Russian wheat to be imported to Kazakhstan were processed in Kazakhstan for milling purposes. Traders comment that total trade with Kyrgyzstan could be double what is reported, if "grey" trade by trucks were counted.

Table 6. Kazakhstan Trade with EAEU Countries, January-December 2018

	Exports, MT	Imports, MT
Wheat		
KYRGYZSTAN	145,126	415
RUSSIA	223,138	85,493
BELARUS	-	3
Barley		
KYRGYZSTAN	551	1
RUSSIA	19,569	46,994
BELARUS	612	-
Wheat Flour		
ARMENIA	166	-
BELARUS	12	-
KYRGYZSTAN	33,074	-
RUSSIA	37,135	2,873

POLICY

In March, the Kazakh President, Nursultan Nazarbayev, dismissed the majority of his Cabinet, including the Minister of Agriculture. This was followed by the unexpected resignation of the President himself, who had been in power for 29 years. Newly appointed Minister of Agriculture, Omarov Saparkhan Kesikbayevich, presented to the Parliament amendments to legal acts on agriculture. In particular, the Minister presented amendments to crop insurance legislation, whereby obligatory crop insurance will change to voluntary with subsidized premiums. The currently existing insurance mechanism does not help to manage risks and in 2018 only 43 percent of area was covered with insurance. Another proposed change is separation of disease and pest control between the Government and farmers. That is when the Government will control only pests with high phytosanitary risk, such as locust, bacterial gummosis, melon fly, while farmers will be responsible for other pests and disease control. The Ministry of Agriculture believes that this separation of responsibilities will help to control pests and weeds over a larger area.

NOTE: The National Bank of Kazakhstan exchange rate as of April 12, 2019: 1 USD = 377.96 KZT

PSD

Wheat	2017/2018		2018/2019		2019/2020	
Market Begin Year	Sep 2017		Sep 2018		Sep 2019	
Kazakhstan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11912	11912	11354	11354	0	11000
Beginning Stocks	3364	3364	2365	2365	0	1501
Production	14802	14802	13947	13976	0	14000
MY Imports	99	99	60	60	0	60
TY Imports	103	60	60	60	0	60
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	18265	18265	16372	16401	0	15561
MY Exports	9000	9000	8500	8000	0	7500
TY Exports	8600	8600	8500	8000	0	7500
Feed and Residual	2100	2100	1800	2100	0	2100
FSI Consumption	4800	4800	4800	4800	0	4800
Total Consumption	6900	6900	6600	6900	0	6900
Ending Stocks	2365	2365	1272	1501	0	1161
Total Distribution	18265	18265	16372	16401	0	15561
Yield	1.2426	1.2426	1.2284	1.2309	0	1.2456
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jul 2017		Jul 2018		Jul 2019	
Kazakhstan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2069	2069	2516	2516	0	2500
Beginning Stocks	531	531	370	370	0	375
Production	3305	3305	3971	3971	0	4000
MY Imports	31	31	5	5	0	5
TY Imports	29	29	5	5	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3867	3867	4346	4346	0	4380
MY Exports	1347	1347	1771	1771	0	1800
TY Exports	1411	1411	2000	2000	0	1800
Feed and Residual	1850	1850	1900	1900	0	1900
FSI Consumption	300	300	300	300	0	300
Total Consumption	2150	2150	2200	2200	0	2200
Ending Stocks	370	370	375	375	0	380
Total Distribution	3867	3867	4346	4346	0	4380
Yield	1.5974	1.5974	1.5783	1.5783	0	1.554
(1000 HA) ,(1000 MT) ,(MT/HA)						