USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 2/20/2019
GAIN Report Number: KZ-1902

Kazakhstan - Republic of

Grain and Feed Update

Kazakhstan Grain and Feed Update Report

Approved By:
Deanna Ayala

Prepared By:
Staff

Report Highlights:
FAS/Astana estimates wheat production in Kazakhstan in MY 2018/2019 at 13.98 million metric tons (MMT), 0.8 MMT lower than estimated for MY 2017/2018, as unusually cold spring, which caused delayed planting, insufficient rains during vegetation period and rains during harvesting time have badly affected production outlook. The new Post forecast for MY19/20 wheat production is 14.0 MMT. FAS/Astana forecasts Kazakhstani barley production in MY 2018/2019 at 3.9 MMT, just 0.6 million tons higher from last year. The temporary shortage of grain hoppers during October-November had resumed by December 2018.

PRODUCTION

FAS/Astana's estimate for wheat production in Kazakhstan in MY 2018/2019 was very slightly modified to 13.98 MMT, 0.8 MMT lower than estimated for MY 2017/2018 after an unusually cold spring delayed planting, and insufficient rains during the vegetation period and during harvesting affected production. The forecast for MY19/20 is 14.0 MMT, on par with the current year.

In 2018, the general harvest of grains and pulses totaled 20.28 MMT, a decrease of 1.5 percent compared with the previous year, reported the Statistics Committee at the Ministry of National Economy of the Republic of Kazakhstan on February 11. At the same time, in 2018 the average yield of grain crops slightly increased compared with the previous year to 1.35 tons per hectare, against 1.34 t/ha. In particular, in the current season wheat production in the country decreased to 13.98 MMT, against 14.8 MMT last year. In 2018/19 MY, the yield of the Kazakh wheat was 1.23 t/ha, down 1.2% compared with the previous season.

As for barley, the Post forecast for MY19/20 is 4.0 MMT, keeping pace with the MY 18/19 record high of 3.97 MMT, against 3.3 MMT in 2017. Area harvested was also up significantly in 18/19 from 2.1 to 2.5 million hectares, supporting growth in production while yield figures decreased from 1.6 t/ha in 17/18, to 1.58 t/ha in 18/19. Please, see table 1 below.

Table 1: Kazakhstan wheat, barley and oilseeds production in CY 2018

	Area planted, million hectares	Area harvested, million hectares	Production, MMT	Yield, tons per hectare
Spring and winter wheat	11.409	11.354	13.946	1.23
Spring and winter barley	2.545	2.516	3.971	1.58
Oilseeds	2.834	2.775	2.963	0.97

Source: Kazakhstan Statistical Agency

Farmers in North Kazakhstan report that their wheat yields reached 1.8-2 tons per hectare and gluten content varies from 18 to 25 percent. However, they claim, that the production costs increased 15-25 percent due to more expensive fuel and spare parts. Farmers whose fields were affected with Rust and Septoriosis got 1-1.2 ton per hectare yields. During the vegetation period, some fields had excessive moisture and others were affected by drought. For the next planting season farmers plan to produce flax or barley.

Farmers in Akmola region called the harvesting season "surprising". Most of farmers applied technologies designed for dry climates, including leveling, harrowing and rolling down. Farmers report making adjustments to their management and use of relevant technologies due to changes in temperature. For example, temperatures were not warm enough on the east of Akmola region leading farmers to apply fertilizers. They complain that having had to plant into cold soil yielded lower quality of wheat, namely low gluten and protein content.

Some rural areas in Kostanay region had low precipitation, while other areas suffered from low

temperatures. According to agronomists, the sum of positive temperatures during the whole vegetation period was 1800 degrees, while the normal sum is 2000 degrees. As a result, in MY 2019/2020, some farmers plan to plant wheat with a shorter vegetation period or switch to barley. Due to higher demand for oilseeds, farmers who were growing wheat are considering switching to oilseeds next season.

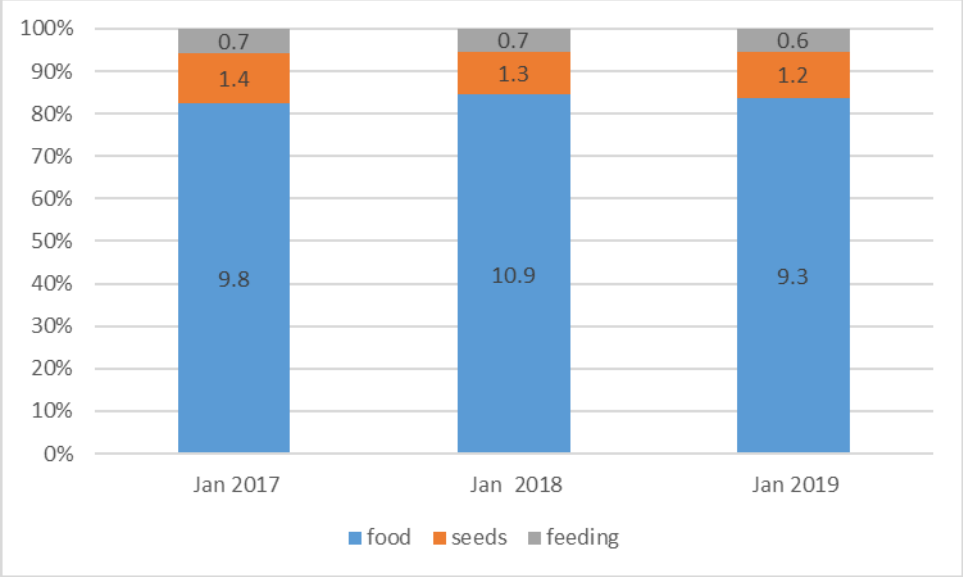
CONSUMPTION

Wheat:
Wheat consumption in Kazakhstan has been and Post expects it to continue to be flat. Food, seed, and industrial (FSI) consumption for wheat for MY18/19 and 19/20 are forecast to remain unchanged at 4.8 MMT. Similarly, feed use of wheat in MY 2018/2019 and 19/20 is forecast flat at 2.1 MMT.

Although Kazakhstan is focusing on expanding its herds, mostly cattle and sheep, the livestock population has not yet grown enough to warrant much increase in feed. Wheat remains the most fed grain in Kazakhstan for livestock, but most of the increase in feeding in the near future is expected to be in other feed grains and grasses because of the government's strategy to increase production of these crops.

The Kazakhstan Statistical Service reports wheat stocks for food are 15 percent lower from the previous year as of January 1, 2019 (see Chart 1 below).

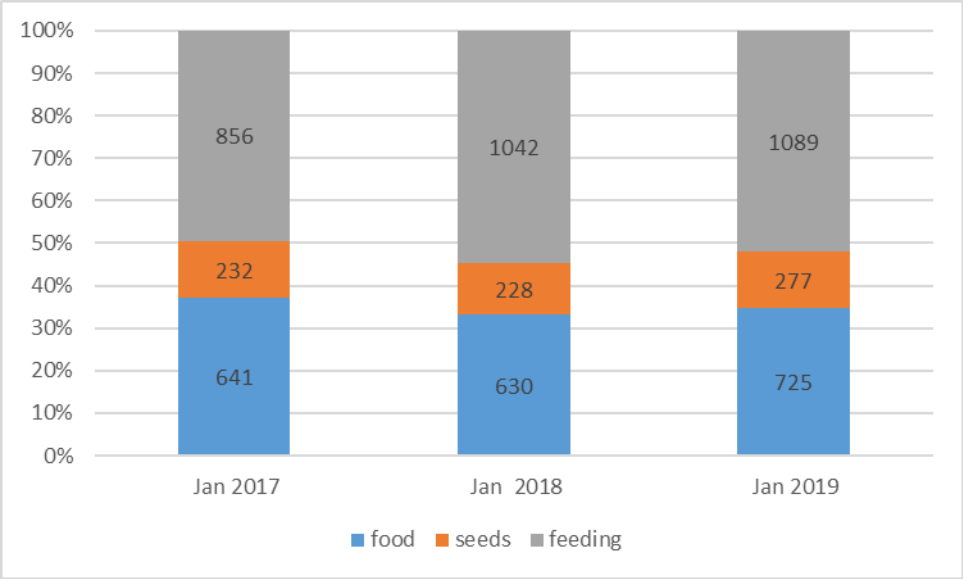
Chart 1. Kazakhstan Wheat Consumption Structure January 1, 2019 (Percentage/MMT)



Source: Kazakhstan Statistical Service

Barley:
In MY 2018/19 and MY19/20, FAS Astana forecasts flat feed use of barley at 1.9 MMT. The Kazakhstan Statistical Service reports barley stocks for food 15 percent higher than a year ago as of January 1, 2019, and for feed 5 percent more from last year (see Chart 2 below). These higher stocks can be explained with historical maximum production at 3.98 MMT in 2018 and forecast at 4.0 MMT for MY19/20.

Chart 2. Kazakhstan Barley Consumption Structure January 1, 2019 (Percentage/MMT)



Source: Kazakhstan Statistical Service

Flour Mill Industry Update

Millers, similarly to wheat exporters, face problems with the availability of cargo wagons for flour exports. Exports logistics was the number one problem for millers this season, while last year their main constraint was high domestic wheat prices impacting margins. This year, North Kazakhstan mills are buying their wheat from small farmers who are eager for cash to pay their debts. At the same time, larger and more financially strong farmers are holding onto their wheat, expecting higher prices later in the season. Millers in Karaganda region are facing higher prices in part due to regional variations in price. By contrast, Kostanay mills have no problem with wheat availability on the market. Overall, experts note that wheat flour production volumes decreased to 1.4 million tons in MY 2018/2019 (July-November) from 1.6 million tons of the same period of MY 2017/2018. This may be due to wheat quality issues.

A new grain processing facility worth 3.5 billion tenge ($9 million) was commissioned in Kostanay at the end of 2018. The facility has a daily capacity to process 600 tons of grain using European and Turkish equipment.

STOCKS

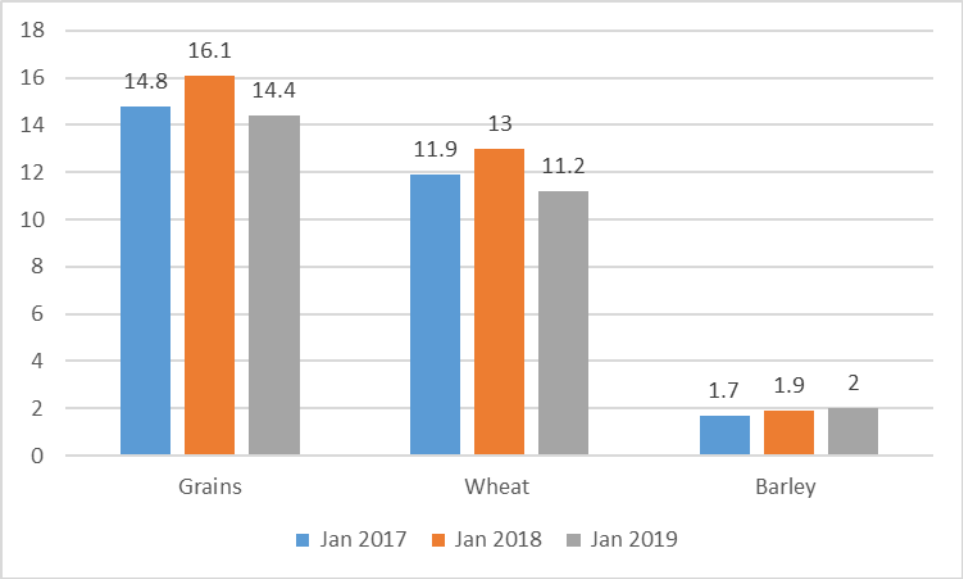
Wheat:

The Kazakhstan Statistical Service reports wheat stocks as of January 1, 2019 at 11.2 MMT, 14 percent less than in January 1, 2018 (see Chart 3 below).

Barley:

The Kazakhstan Statistical Agency reports barley stocks at 2 MMT as of January 1, 2019, nearly flat from 2018. Barley stocks are slightly increasing the last three years (see Chart 3 below).

Chart 3. Grains, Wheat and Barley Stocks January 1, 2019, MMT



Source: Kazakhstan Statistics Service

TRADE

Post forecasts that Kazakhstani wheat exports in MY 2018/2019 at 8 MMT and down to 7.5 MMT in MY19/20. Reduced rains during vegetation period in MY18/19 and delayed harvesting negatively affected wheat quality, which is very important for export contracts. As a result, there might be less exportable quality of wheat available on the market. A number of regional market developments affected exports at the end of the previous marketing year and continue into the current marketing year.

For example, the national railway companies of Uzbekistan, Russia, Kazakhstan, Afghanistan and Pakistan agreed to create a financial consortium for construction of a new railroad, Mazar-I-Sharif-Kabul-Peshawar. The protocol for the creation of a joint working group and a financial consortium was signed by the heads of the national railways of the five countries on December 3-4, 2018 in Tashkent. The new railroad will be part of the transport corridor that will link the European Union, Russia, Uzbekistan, Afghanistan, Pakistan, India and the Southeast Asian region. Power lines will be built along the railroad, which will go through Surkhan, Puli-Khumri, Doshi, Surabai, Jelalabad and Peshawar, to enable the movement of electric locomotives and facilitate trade.

As part of Kazakh Prime Minister's visit to China in November 2018, protocols on phytosanitary requirements for barley and corn were signed that enable Kazakhstan to export corn and barley to the Chinese market. Requirements for wheat, soybeans, wheat bran, rapeseed meal and alfalfa hay are approved, according to the ministry. Currently Kazakhstan exports fish, mutton products, honey, wheat, bran, soybeans, and vegetable oils to China. The Ministry of Agriculture continues to work with China's General Customs Administration on removing barriers and harmonization of requirements with a view to expanding the range of items in bilateral trade.

Cargo transshipments in the first ten months of 2018 through the Kuryk port on the Caspian Sea amounted to 1.314 million tons. The port of Kuryk currently cooperates with the Alat port in Azerbaijan, but is planning to expand ferry service to Turkmenistan and Iran. The Kuryk multimodal terminal

increased TEU (Twenty-Foot Equivalent Unit) freight flow via ferry and rail services to and from Turkey to 682 TEU. Last year, the port handled 320 vessels and plans to increase the figure to 500 in 2018. The railway ferry terminal at the Kuryk port handled 1.5 million tons of cargo in 2017. The design capacity of the port Kuryk will total 6 million tons of cargo per year. Kuryk is located 100 kilometers from the Aktau international seaport. The rail road Borzhakty-Ersai was built to support operations at the Kuryk ferry terminal. When the terminal reaches its full capacity, it will be able to service five ferries a day and to handle four million tons of cargo a year. The large Kuryk ferry terminal and Borzhakty-Ersai railroad will facilitate the transshipment of conventional and liquid goods to boost Kazakhstan's transit and export potential across the Caspian Sea.

The availability of grain hoppers remains a problem in MY 2018/2019. For instance, one exporter reportedly requested thirty grain hoppers from the railway authority and after 1.5 months he got only seven grain hoppers. The U.S. Dollar exchange rate during October –December 2018 affected the ability of traders to plan their operations properly. For instance by the time wheat was loaded into the wagon its price has changed due to the exchange rate.

In November 2018, Kazakhstani millers organized a business mission to Uzbekistan to discuss Kazakh wheat flour export logistics to Uzbekistan. One outcome of this business mission, Uzbek authorities allowed wheat and wheat flour imports from Kazakhstan by trucks. Thus, Kazakh exporters from the South Kazakhstan region confirm that they started shipments to Uzbekistan by trucks.

On November 5, 2018 the Food Contracting Corporation announced the procurement prices on domestic market for wheat Triticum aestivum L. grade 3 at EXW conditions:

For VAT payers, tenge per ton	54,000 tenge ($144)	54,300 (144.8)
For VAT non-payers, tenge per ton	48,214 ($128)	48,482 ($129)
Qualities		
Test weight, g/l, not less	730	750
Gluten content, percent, not less	23	23
Moisture content, percent, no more	14	14
Impurity, percent, no more	2	2
Other grain, percent, no more	5	5
Protein content, percent for dry matter	12.5	12.5
Falling number, sec, not less	200	200
Pests	Not accepted	
Other qualities	According to ST RK 1046-2008 for Triticum aestivum L. grade 3	

Uzbekistan continues to be the number one importer of Kazakh wheat as it has been for the last four years. During January-November 2018, wheat exports to Uzbekistan made up 40 percent of all exports. Traders note, that due to unfavorable wheat production outlook in Uzbekistan the demand from Central Asian countries will be growing. (Please see Table 3 below).

Table 3. Kazakhstan wheat export data, January-November 2018

Kazakhstan Export Statistics Commodity: 1001, Wheat And Meslin								
Year Ending: November								
Partner Country	**Unit**	**Quantity**			**% Share**			**% Change**
		2016	**2017**	**2018**	**2016**	**2017**	**2018**	**2018/2017**
World	T	3873535	3739997	5725901	100.00	100.00	100.00	53.10
Uzbekistan	T	1688762	1612842	2270507	43.60	43.12	39.65	40.78
Tajikistan	T	984437	1068566	1040247	25.41	28.57	18.17	- 2.65
China	T	289947	273257	549992	7.49	7.31	9.61	101.27
Afghanistan	T	299652	257648	402872	7.74	6.89	7.04	56.37
Italy	T	136583	249427	339536	3.53	6.67	5.93	36.13
Turkey	T	72305	116645	313694	1.87	3.12	5.48	168.93
Azerbaijan	T	69923	64415	260158	1.81	1.72	4.54	303.88
Turkmenistan	T	0	0	218799	0.00	0.00	3.82	0.00
Georgia	T	0	1306	84232	0.00	0.03	1.47	6349.79
Iran	T	250628	11653	50245	6.47	0.31	0.88	331.20
Norway	T	5600	0	38995	0.14	0.00	0.68	0.00
Sweden	T	32288	41670	33451	0.83	1.11	0.58	- 19.72
Vietnam	T	0	720	33120	0.00	0.02	0.58	4499.93
Tunisia	T	5210	18891	28909	0.13	0.51	0.50	53.02
Spain	T	0	6017	26733	0.00	0.16	0.47	344.30
Greece	T	0	0	15291	0.00	0.00	0.27	0.00
Poland	T	15115	2711	5688	0.39	0.07	0.10	109.80
Netherlands	T	9999	306	5476	0.26	0.01	0.10	1691.33
Lebanon	T	0	0	2940	0.00	0.00	0.05	0.00
Latvia	T	0	0	1593	0.00	0.00	0.03	0.00
Ukraine	T	0	0	1581	0.00	0.00	0.03	0.00
Jordan	T	0	0	1008	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
Algeria	T	0	5000	0	0.00	0.13	0.00	- 100.00
Finland	T	2525	8172	0	0.07	0.22	0.00	- 100.00
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	0.13	0.00	0.00	0.00

Source: Global Trade Atlas

Iran continues to be the biggest importer of Kazakh barley, taking 93 percent of all exports during January-November 2018. Exporters were concerned about banking operations with Iran, however

nowadays operations with Iran are gone through European banks and trade with Iran is continuing. Newcomers to barley exports from Kazakhstan in 2018 include the United Arab Emirates, Iraq, Czech Republic, and the Netherlands (see Table 4 below), but it is not yet clear whether they will become regular buyers. Several markets source barley from Kazakhstan irregularly.

Table 4. Kazakhstan Barley Exports Data, January-November 2018

Kazakhstan Export Statistics Commodity: 1003, Barley								
Year Ending: November								
Partner Country	**Unit**	**Quantity**			**% Share**			**% Change**
		2016	**2017**	**2018**	**2016**	**2017**	**2018**	**2018/2017**
World	T	706731	873211	1652320	100.00	100.00	100.00	89.22
Iran	T	636983	805431	1543767	90.13	92.24	93.43	91.67
Uzbekistan	T	27186	28976	83388	3.85	3.32	5.05	187.78
Afghanistan	T	19129	15388	11632	2.71	1.76	0.70	- 24.41
Germany	T	6136	0	6136	0.87	0.00	0.37	0.00
United Kingdom	T	0	1640	2965	0.00	0.19	0.18	80.82
United Arab Emirates	T	0	0	1474	0.00	0.00	0.09	0.00
Tajikistan	T	266	3276	1132	0.04	0.38	0.07	- 65.44
Turkmenistan	T	130	0	871	0.02	0.00	0.05	0.00
Iraq	T	0	0	737	0.00	0.00	0.04	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	0.40	0.00	0.00	0.00
United States	T	14100	18500	0	2.00	2.12	0.00	- 100.00

Source: Global Trade Atlas

Eurasian Economic Union Trade:

Please see Table 2 below for EAEU trade numbers for January-October 2018. At this time, industry sources do not expect significant volumes of Russian wheat to be imported to Kazakhstan due to the unfavorable exchange rate. Traders comment that total trade with Kyrgyzstan could be double what is reported, if "grey" trade by trucks were counted.

Table 2. Kazakhstan Trade with EAEU Countries, January-October 2018

	Exports, MT	Imports, MT
Wheat		
KYRGYZSTAN	109,699	415
RUSSIA	153,500	80,780
BELARUS	-	3
Barley		
KYRGYZSTAN	551	1
RUSSIA	4,825	43,172

Wheat Flour		
ARMENIA	46	-
BELARUS	12	-
KYRGYZSTAN	23,644	-
RUSSIA	21,234	2,214

NOTE: The National Bank of Kazakhstan exchange rate as of February 13, 2018: 1 U.S. Dollar = 374,81 Tenge

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	11300	11354	0	11200
Beginning Stocks	3364	3364	2365	2365	0	1501
Production	14802	14802	15000	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	17425	16401	0	15561
MY Exports	9000	9000	8500	8000	0	7500
TY Exports	8600	8600	8500	8000	0	7500
Feed and Residual	2100	2100	2200	2100	0	2100
FSI Consumption	4800	4800	4800	4800	0	4800
Total Consumption	6900	6900	7000	6900	0	6900
Ending Stocks	2365	2365	1925	1501	0	1161
Total Distribution	18265	18265	17425	16401	0	15561
Yield	1.2426	1.2426	1.3274	1.2309	0	1.25
(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	2500	2516	0	2500
Beginning Stocks	531	531	370	370	0	346
Production	3305	3305	4200	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	4575	4346	0	4351
MY Exports	1347	1347	2000	1800	0	1800
TY Exports	1411	1411	2000	1800	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	346	0	351
Total Distribution	3867	3867	4575	4346	0	4351
Yield	1.5974	1.5974	1.68	1.5783	0	1.6
(1000 HA) ,(1000 MT) ,(MT/HA)						