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GAIN Report Number:

Kazakhstan - Republic of

Grain and Feed Update

Kazakhstan Wheat Exports Expected to Remain Steady in 2013/14, But Shipments to Russia to Fall

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Report Highlights:

Kazakhstan's wheat production in 2013 is expected to recover and reach 14.0 MMT. However, while soil moisture levels in key growing areas were high at spring sowing, dry conditions since have largely depleted moisture reserves and timely rains are critical for production. Exports in 2013/14 are forecast at 7.0 MMT, slightly above last year's level. Exports to Russia, Kazakhstan's largest market for wheat grain in 2012/13, are expected to drop sharply as a result of higher production in the Russian Urals and Siberia.

Post:

Astana

Production: FAS/Astana estimates Kazakhstan's wheat production in 2013 at 14.0 MMT, up from 9.8 MMT in 2012 but down from the record 22.7 MMT in 2011. This 14.0 MMT estimate is 1.0 MMT lower than the previous FAS/Astana estimate as a result of slightly lower wheat planted area than was previously forecast, and dry conditions since planting. However, the crop is still in its early growth stage, and the level of rains in late-July and August will ultimately be the deciding factor for the size of production.

Final Reported Spring Planted Area in Thousand Hectares:

№ n/ n	region	planted total	Including									
			wheat	barley	corn for grain	rice	oilseeds	cotton	sugar beet	potato	vegetables	Feeds excluding previously planted perennial grasses
1	AKMOLA	4,675.4	3,814.8	364.5	-	-	231.1	-	-	18.4	4.5	180.2
2	AKTOBE	578.0	380.5	94.7	-	-	41.0	-	-	4.6	3.4	44.4
3	ALMATY	560.6	32.6	168.5	67.4	14.2	150.2	-	3.9	37.0	36.0	47.1
4	ATYRAU	5.5	-	0.3	-	-	1.1	-	-	0.9	2.5	0.4
5	EAST-KAZ	1,070.7	357.7	113.5	1.0	-	379.6	-	-	24.1	11.7	109.4
6	ZHAMBYL	303.4	1.2	115.0	12.3	-	86.5	-	1.0	7.2	30.1	49.8
7	WEST-KAZ	386.4	204.7	79.1	-	-	59.5	-	-	4.2	5.6	23.3
8	KARAGANDA	737.7	518.0	126.2	-	-	29.9	-	-	13.1	3.4	32.5
9	KOSTANAY	4,709.5	3,944.2	242.2	-	-	240.5	-	-	10.7	2.9	150.9
10	KYZYLORDA	121.1	1.4	0.1	0.7	74.0	1.9	-	-	7.8	14.9	19.6
11	MANGYSTAU	0.8	-	-	-	-	-	-	-	-	0.8	-
12	PAVLODAR	876.0	375.5	103.9	-	-	183.0	-	-	15.8	6.4	86.5
13	NORTH-KAZ	4,157.1	3,007.0	401.9	-	-	410.9	-	-	27.5	5.1	95.9
14	SOUTH-KAZ	444.4	19.4	20.5	23.1	1.0	106.3	140.4	0.1	12.0	76.0	42.1
	TOTAL	18626.7	12657.0	1830.4	104.5	89.2	1921.5	140.4	5.0	183.3	203.3	882.1

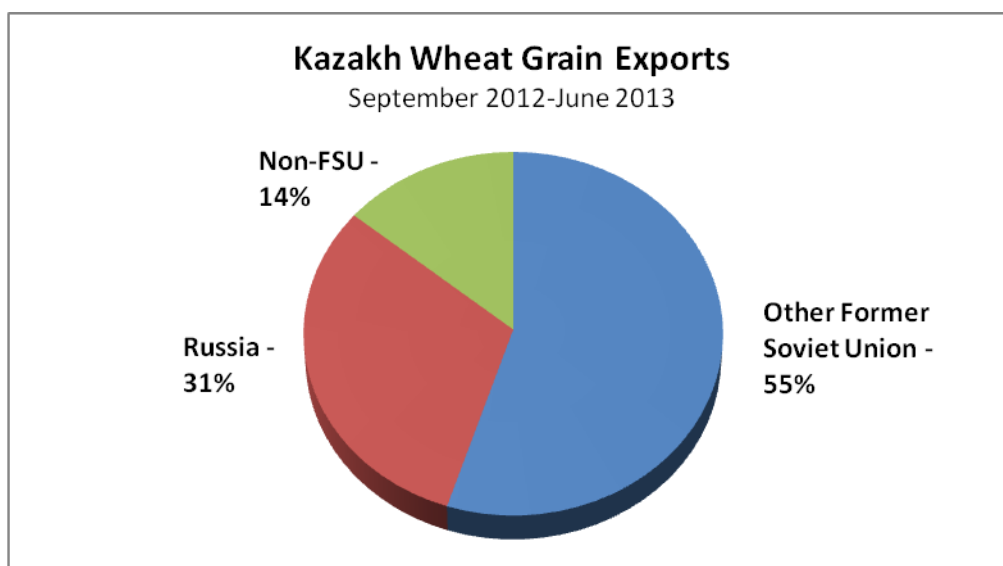
Source: Kazakh Ministry of Agriculture Note: Only includes spring area and not winter sown area

Area: In mid-June, the Kazakh Ministry of Agriculture released final area sown numbers. Total crop area was largely unchanged (down 0.6 percent) at 21.5 million hectares, but the gradual shifting of land from wheat into other feed crops and oilseeds has continued. Total wheat area fell by another 3 percent to 13.1 million hectares this year, and since 2009 wheat area has declined a total of 11 percent. Barley area is almost unchanged from 2012. Oilseed area, however, has continued to expand, up another 4 percent in 2013 to 1.92 million hectares. Overall, planted oilseed area has tripled since 2007.

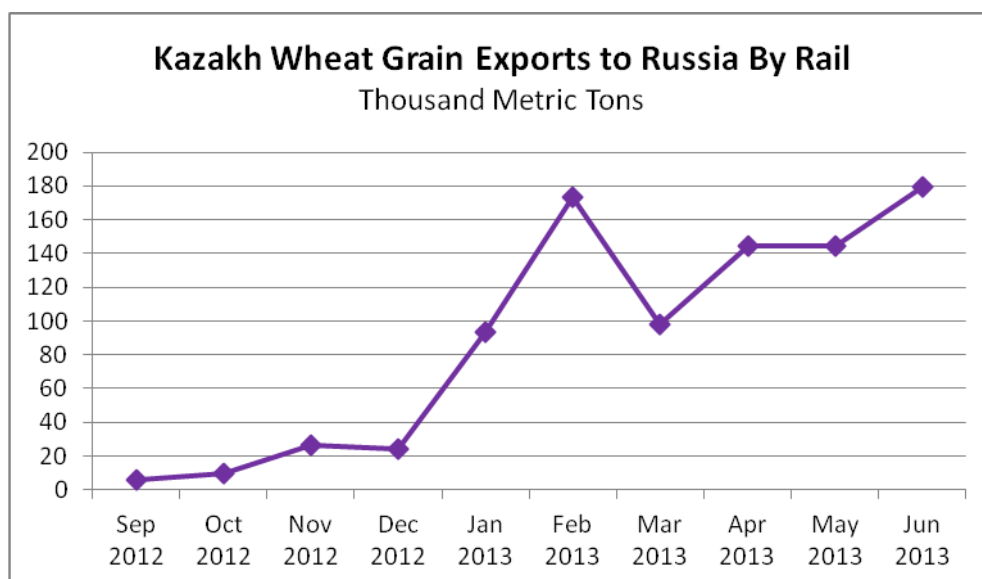
One of the tools used by local governments to encourage diversification away from wheat is changing the level of subsidies. For example, the Ministry of Agriculture recently reported that in the Karaganda region, the regional authorities eliminated subsidies for wheat, while increasing subsidies for feed crops, oilseeds, and perennial grasses (the subsidy for barley was quadrupled).

Yield: Soil moisture conditions at the time of spring grain planting were very good as a result of ample snow cover and spring rains. In fact, soil moisture levels in key regions such as Kostanai and Akmola were at the second highest level in 8 years. However, the weather since planting has been very dry in key growing areas, and this has largely depleted the soil moisture. Timely rains in July and August are critical for the 2013 crop.

Trade: For the 2013/14 marketing year, FAS/Astana forecasts wheat exports at 7.0 MMT, only slightly higher than in 2012/13. Although production is expected higher, beginning stocks will be sharply lower, and as a result total wheat supply is only estimated at 1.0 MMT above last year's level. Exports to Russia (which has been the largest market for Kazakh wheat grain so far this marketing year) are expected to fall sharply from the estimated 1.3 MMT in 2012/13 as crops in the Russian Urals and Siberia are expected to improve from last year. Also, Kazakh wheat is expected to have strong competition for export markets from Russian and Ukrainian supplies.



Source: Kazakh Customs Statistics and National Railways Data



Source: Kazakh National Railways Data

The Kazakh Government and private companies continue to try to improve export infrastructure to ensure Kazakh grain can reach export markets. In May, the Presidents of Kazakhstan and Turkmenistan opened a new rail line between these two countries, which is part of a planned route to connect Kazakhstan to Iran and facilitate transportation of grain and oil products. Also, at the end of May it was reported that Kazakh grain companies had agreed to build a grain terminal in the Ukrainian port of Kerch on the Crimea peninsula. The projected capacity of this terminal is 700,000 tons a year.

United Grain Holding

On June 21st, 2013, an agreement was concluded to create a United Grain Holding in Kazakhstan. This plan was first announced by the President of Kazakhstan during his address in late January 2013. One of the key stated goals for this United Grain Holding is to provide private farmers a voice into strategic decisions taken by the State-Owned Food Contract Corporation (FCC), like setting prices for procurement contracts, and dissemination of profits from further sales of procured grain. This agreement was between the FCC and the Union of Farmers of Kazakhstan Association. As reported by KazAgro, the agreement stated that the United Grain Holding shall be based on principles of voluntary and equal association of the participants of the United Grain Holding, with the following goals:

1. To ensure grain producers who participate in this Holding gain priority access to financing for sowing and harvesting, and guaranteed sales in autumn at the market price
2. To ensure participants receive part of the net profits from further sales of grain by the Holding
3. To create and develop infrastructure for storage, transshipment and exporting of grain

A Public Council is expected to be created to oversee this Holding whose mission is to ensure participants' interests are considered in FCC decisions. The Government of Kazakhstan has announced that it will carry out an awareness campaign in July with grain producers in key growing areas to ensure they are aware of this Holding, and to ensure maximum participation of farmers.

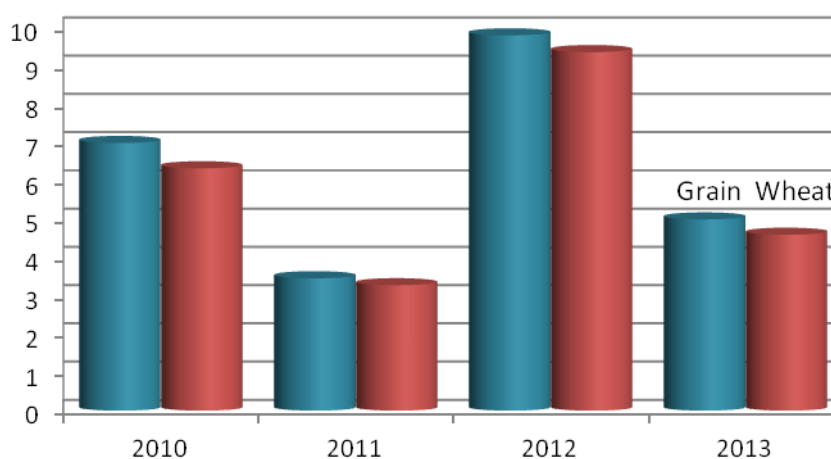
Stocks:

As a result of lower production in 2012, grain stock levels in Kazakhstan have declined to levels of just half of those of last year. As of July 1st, according to the Kazakhstan Statistical Service, grain stocks had fallen to 5.0 MMT (compared to 9.8 MMT the same time last year) and wheat stocks had fallen to 4.6 MMT (compared to 9.4 MMT the same time last year). Barley stocks also were considerably smaller, at only 142,000 metric tons (compared to 234,000 last year). However, despite decreasing, these stock levels still remain far above the levels of July 2011.

Oilseed stocks also have fallen to 85,000 MT (from 133,000 MT last year). Sunflowerseed stocks are almost exactly identical to last year, so this decline is almost entirely attributable to smaller rapeseed and flax stocks.

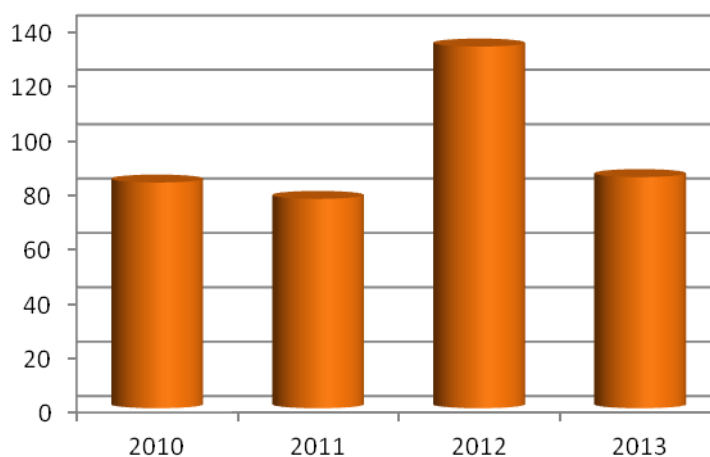
Stocks of Grain/Wheat Shrink

(As of July 1, Million Metric Tons)



Oilseed Stocks Also Fall

(As of July 1, Thousand Metric Tons)



Prices:

Kazakhstan wheat and barley prices declined in April, May and June as a result of the outlook for a larger crop. Further, 3rd class wheat prices at the Russian border fell nearly \$40 per metric ton to

approximately \$245/MT, while barley prices at the Port of Aktau fell nearly \$20/MT to approximately \$250/MT.

Wheat Kazakhstan	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Sep 2011		Market Year Begin: Sep 2012		Market Year Begin: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	13,686	13,686	12,400	12,400	12,500	12,500
Beginning Stocks	2,882	2,883	6,376	6,477	2,927	3,528
Production	22,732	22,732	9,841	9,841	14,500	14,000
MY Imports	6	6	10	10	10	10
TY Imports	6	6	10	10	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	25,620	25,621	16,227	16,328	17,437	17,538
MY Exports	11,844	11,844	6,500	6,500	7,000	7,000
TY Exports	11,069	11,069	6,800	7,000	7,000	7,000
Feed and Residual	2,600	2,500	2,000	1,900	2,400	2,400
FSI Consumption	4,800	4,800	4,800	4,400	4,800	4,800
Total Consumption	7,400	7,300	6,800	6,300	7,200	7,200
Ending Stocks	6,376	6,477	2,927	3,528	3,237	3,338
Total Distribution	25,620	25,621	16,227	16,328	17,437	17,538

1000 HA, 1000 MT, MT/HA