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Kazakhstan - Republic of

Grain and Feed Update

July Grain Update

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Report Highlights:

FAS/Astana forecasts Kazakhstan's wheat production in 2014/15 only slightly higher than the levels estimated for 2013/14 on the expectation of good weather. Lower planting area will likely be offset by a slight increase in yields making for a leveling of production. Smaller carry-in stocks are expected to reduce Kazakhstan's exports, although the Government of Kazakhstan continues to look optimistically toward export possibilities

Production:

FAS/Astana forecasts Kazakhstan's wheat production in 2014/15 at 14 MMT, slightly higher than the estimated for 2013/14, but down from the record 22.7 MMT in 2011. This 2013/14 estimate is the same as the estimate made by FAS/Astana in the April Annual report and a decrease from the 2014/15 forecast in the same report. It is based on projections of good moisture in the spring and outlook of good weather conditions since planting. However, the crop is still in its early growth stage, and the level of rains in August will ultimately be the deciding factor for the size of production.

Area: In mid-June, the Kazakh Ministry of Agriculture released final area sown numbers. Total grains crop area was largely unchanged (up one percent) at 21.8 million hectares, but the gradual shifting of land from wheat into other feed crops and oilseeds has continued. Total wheat area fell again this year to 12.8 million hectares. Since 2009 wheat area has declined a total of 13 percent. Barley area increased 14 percent from last year, to 2 million hectares. Also, oilseed area has continued to expand, up another 5 percent in 2014 to 2 million hectares. Overall, planted oilseed area has tripled since 2007.

Final Reported Spring Planted Area in Thousand Hectares:

	Region	Planted total	Including				
			Wheat	Barley	Oilseeds	Feeding crops	Potato
1	AKMOLA	5,088.5	3,900.0	330.1	225.1	548.0	18.5
2	AKTOBE	728.5	347.3	138.9	45.0	168.4	5.3
3	ALMATY	914.3	175.1	191.8	147.5	238.3	37.5
4	ATYRAU	7.2	0	0.3	1.1	0.9	1.5
5	EAST-KAZ	1,202.3	369.1	113.3	348.0	255.1	24.7
6	ZHAMBYL	549.2	109.8	115.3	84.9	180.7	7.5
7	WEST-KAZ	656.3	229.4	135.0	87.0	159.0	4.5
8	KARAGANDA	1,051.9	505.7	157.4	26.5	318.6	13.2
9	KOSTANAY	5,172.1	3,763.2	338.4	278.0	560.0	10.9
10	KYZYLORDA	157.6	4.0	0.5	2.2	55.9	7.0
11	MANGYSTAU	0.8	0	0	0	0	0
12	PAVLODAR	1,123.8	370.0	123.4	185.6	315.2	15.8
13	NORTH-KAZ	4,370.0	2,880.9	385.6	480.2	334.1	28.0
14	SOUTH-KAZ	804.6	124.9	56.0	106.2	241.2	14.6
	TOTAL	21,827.1	12,779.5	2,086.0	2,017.3	3,375.4	189.0

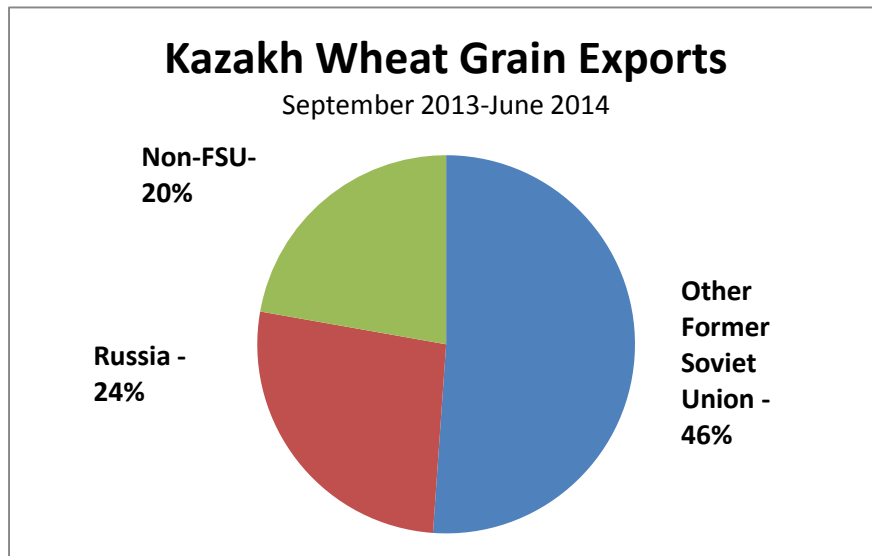
Source: Kazakh Ministry of Agriculture Note: Only includes spring area and not winter sown area

One of the tools used by local governments to encourage diversification is changing the level of subsidies. For example, the Ministry of Agriculture recently reported that oilseeds subsidies this year increased almost three times, while subsidies for feedcrops increased almost six times.

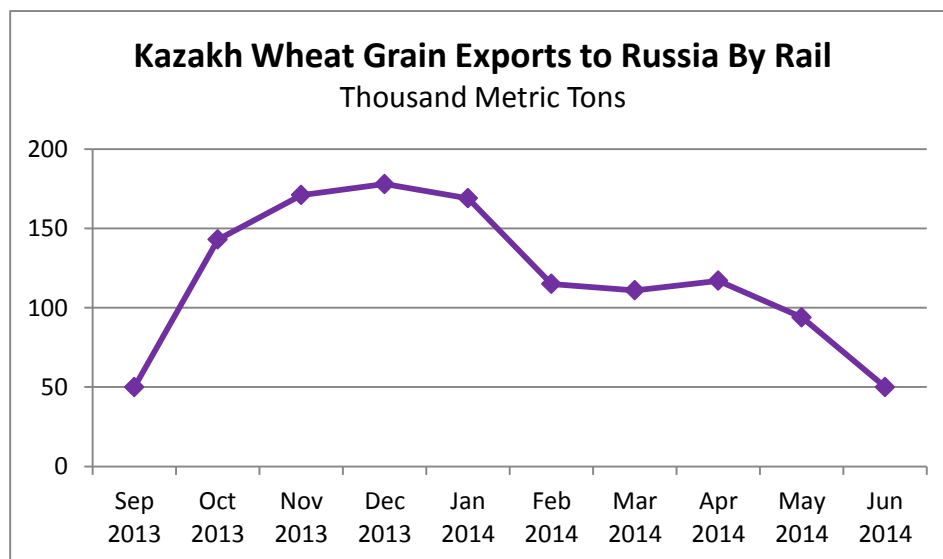
Yield: Good snowfall in the western region of Kazakhstan supplied rich moisture, but rainfalls are needed in the summer for the development of the secondary root system. During the latter part of May, the soil moisture levels in Northern Kazakhstan were at 121 mm for wheat and 100-107 mm for rapeseed. In June, there was only 3 mm of rainfall, but recent rains in Northern Kazakhstan have given hope for a good harvest in 2014. The moisture level in the Kostanai region is varied with a sufficient moisture supply in some areas, while other areas are suffering a dry spell.

Trade:

For the 2014/15 marketing year, FAS/Astana forecasts wheat exports at 7.0 MMT, the same level as in 2013/14. Although production is expected higher, beginning stocks will be sharply lower, and as a result total wheat supply is only estimated at 500 TMT above the estimate for 2013/14. 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 exports to Russia 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 in 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 increase export potential for Kazakh grain

through export infrastructure development programs, described in our previous GAIN reports. One of the potential tools to increase export capacity are possible grain swaps, which are currently being discussed between Russian and Kazakh Ministries of Agriculture. The theory behind these swaps is that it is more cost effective to supply grain to the Moscow region, where current grain consumption is approximately 2 million tons, from Kazakhstan than from southern Russia. Likewise, it is more cost effective to supply grain for shipment out of Black Sea ports from southern Russia than from Kazakhstan. Therefore, Kazakhstan would supply Moscow in swap for grain from southern Russia that is sent to the Black Sea. However, this proposal is far from implementation as there are a number of logistical and commercial details to be solved.

United Grain Holding

On June 21, 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 goals for this United Grain Holding is to provide private farmers a voice in strategic decisions taken by the State-Owned Food Contract Corporation (FCC), such as setting of 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 the Holding, and to ensure maximum participation of farmers. As of today, the total number of Holding members has reached 110 farmers, with a total planting area of 436,000 hectares of grain.

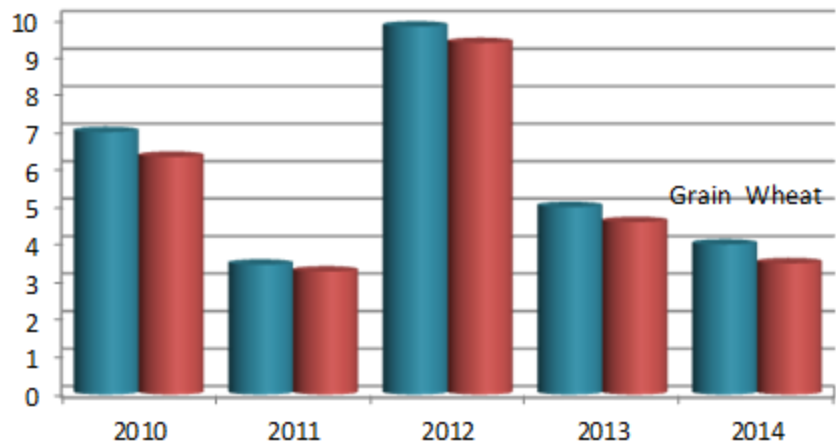
Stocks:

The grain stock levels in Kazakhstan have continued to decline, almost to the levels in 2011. As of July 1st, according to the Kazakhstan Statistical Service, grain stocks increased slightly to 4.9 MMT (compared to 4.0 MMT the same time last year) and wheat stocks increased to 4.6 MMT (compared to 3.5 MMT the same time last year). Barley stocks doubled to 282,000 metric tons (compared to 142,000 last year).

Meanwhile, oilseed stocks have doubled to 206,000 MT (from 85,000 MT last year). This is the highest level for oilseed stocks since 2010. This increase is attributable to sunflowerseed, rapeseed, and soybeans. Soybean stocks alone have more than doubled from last year.

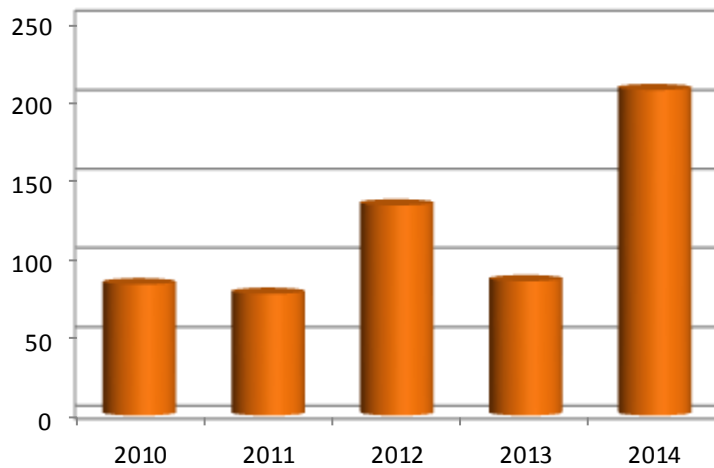
Stocks of Grain/Wheat Shrink

(As of July 1, Million Metric Tons)



Oilseed Stocks Doubled

(As of July 1, Thousand Metric Tons)



Prices:

Kazakhstan wheat and barley prices increased in April, May and June as a result of lower supply on domestic market. Further, 3rd class wheat prices at the Russian border increased nearly \$14 per metric ton to approximately \$206/MT, and barley prices at the Port of Aktau increased \$5/MT to approximately \$230/MT.

Wheat Kazakhstan	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Sep 2012		Market Year Begin: Sep 2013		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12,400	12,400	12,954	12,954	12,700	12,750
Beginning Stocks	6,176	6,477	2,935	3,840	1,686	2,991
Production	9,841	9,841	13,941	13,941	13,500	14,000
MY Imports	6	6	10	10	5	10
TY Imports	6	6	10	10	5	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	16,023	16,324	16,886	17,791	15,191	17,001
MY Exports	6,288	6,288	8,400	7,500	6,000	7,000
TY Exports	6,801	6,801	8,300	7,500	6,000	7,000
Feed and Residual	2,000	1,700	2,000	2,500	2,000	2,000
FSI Consumption	4,800	4,500	4,800	4,800	4,800	4,800
Total Consumption	6,800	6,200	6,800	7,300	6,800	6,800
Ending Stocks	2,935	3,840	1,686	2,991	2,391	3,201
Total Distribution	16,023	16,328	16,886	17,791	15,191	17,001

1000 HA, 1000 MT, MT/HA