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Report Name: Grain and Feed Update

Country: Kazakhstan - Republic of

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Report Highlights:

FAS/Nur-Sultan estimates MY 2020/2021 wheat production in Kazakhstan at 12 million metric tons (MMT), only 0.5 MMT higher than MY 2019/2020. Post estimates wheat production for MY 2019/2020 at 11.5 MMT, 2.4 MMT lower than estimated for MY 2018/2019, as dry summer and rains during harvesting time severely impacted production. FAS/Nur-Sultan forecasts Kazakhstani barley production in MY 2019/2020 at 3.8 MMT, just slightly higher than last year. Exporters have expressed concern about wheat and barley quality for the current season.

PRODUCTION

FAS/Nur-Sultan forecasts Kazakhstani wheat production in marketing year (MY) 2019/20 at 11.5 million metric tons (MMT), 2.4 MMT lower than estimated for MY 2018/2019, as insufficient precipitation during the vegetation period and extensive rains during harvesting time badly affected production outlook. The barley production estimate has been revised downward to 3.8 MMT for MY 2019/20 for similar reasons. The forecast for MY 2020/2021 is 12.0 MMT, a slight increase over the current year.

In 2019, the total harvest of grains and pulses totaled 19.7 MMT, a decrease of 14 percent compared with the previous year, as reported by the Kazakhstani Ministry of Agriculture. This reduction came regardless of a slightly higher harvested area (15.2 million hectares). At the same time, in 2019 the average yield of grain crops decreased slightly compared with the previous year to 1.29 tons per hectare, against 1.52 t/ha. Please see Table 1 below.

Table 1: Kazakhstan Final Harvesting Report, 2019

Region	Harvested area, thousand hectares		Grains produced, thousand tons		Yield, ton/hectare	
	2018	2019	2018	2019	2018	2019
AKMOLA	4,316.6	4,379.6	5611.5	5124.1	1.3	1.17
KOSTANAY	4060.3	3968.6	5214.0	3002.7	1.28	0.76
NORTH KAZ	2801.0	2861.5	5323.2	4794.3	1.9	1.68
KARAGANDA	812.2	841.9	1031.2	880.4	1.27	1.05
PAVLODAR	729.0	785.5	896.5	822.8	1.23	1.05
EAST KAZ	539.9	549.8	811.5	937.2	1.5	1.7
AKTOBE	440	457.3	513.7	380.0	1.17	0.83
ALMATY	450.2	457.7	1376.3	1429.4	3.06	3.12
ZHAMBYL	300.7	352.4	756.4	881.2	2.52	2.5
WEST KAZ	245.4	243.0	171.4	249.0	0.7	1.02
TURKESTAN	283.6	279.4	648.8	677.4	2.29	2.42
KYZYLORDA	94.8	97.5	489.6	548.9	5.16	5.63
TOTAL	**15,073.7**	**15,274.2**	**22,844.1**	**19,727.4**	**1.52**	**1.29**

Source: Kazakhstani Ministry of Agriculture harvesting report as of November 29, 2019

Grain producers explain that the lack of modern, highly effective plant protection chemicals, good quality seeds for exportable crops, and low mineral fertilizer application are the major factors limiting grain production in Kazakhstan. As a general note, 92 percent of all fertilizers and 83 percent of all herbicides in Kazakhstan are used by 5,000 agricultural enterprises, with the remainder used by approximately 41,000 peasant farmers. Agricultural enterprises produce 65 percent of grain and 53 percent of oilseeds in the country.

This year, North Kazakhstan region farmers were badly affected by cabbage moth on rapeseeds, which caused them to make eight chemical applications instead of four, which in turn increased the cost. Additionally, the pesticides used were reportedly not effective, with farmers claiming that the products provided were outdated. Farmers also complained of thrips affecting barley and wheat. In some areas, farmers reported barley that sprouted after being knocked down, which later was qualified into feeding barley.

Poor wheat quality was also reported by surveying companies. In particular, high moisture content, sprouted grains, low falling number, rust disease, fusarium, extraneous odors, and smut in feeding barley were detected during wheat shipping. Septoria and rust were typical for every second shipping wagon. Exporters blame grain elevators, which cannot provide good drying and sorting services, leading to quality damage. Additionally, experts note that the milling quality of wheat is weak this current season.

Around 50 percent of wheat produced in MY 2019/2020 is reported at 3rd grade quality wheat, and 25 percent is reported as 4th grade quality wheat. As a comparison, in MY 2018/2019 around 65 percent of the wheat qualified as 3rd class wheat and 25 percent was qualifying as 4th class wheat.

Table 2. Wheat quality in MY 2019/2020

Quality		Akmola region	Kostanay region	North-Kazakhstan region
Gluten content	%	20-25 28-30	23-26 28-30	18-20 23-24
Protein content	%	11.5-13.5 15-16	13-14.5 15-16	11.5-12.0 13-14.5
Test weight	g/l	720-750	710-730	730-750
Falling number	C	300	300	280-320
Foreign matters	%	2.0	2.0	2.0
Grain admixture	%	5.0	9.0	5.0
Moisture content	%	14.0	14.0	14.0

Source: Kazakh Grain Export conference, September 19-20, 2019

CONSUMPTION

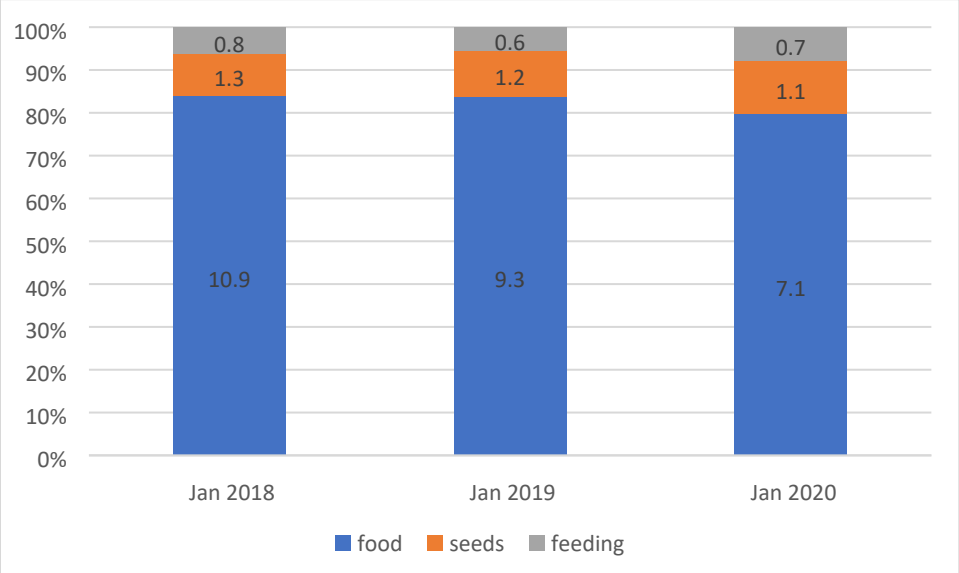
Food, seed, and industrial (FSI) consumption for wheat for MY 2019/2020 and 2020/2021 are forecast to remain unchanged at 4.8 MMT. Similarly, feed use of wheat in MY 2019/2020 and 2020/2021 is forecast flat at 1.8 MMT. The feeding industry is almost non-existent in Kazakhstan. Usually each farm produces its own very basic feeds.

Although Kazakhstan is focusing on expanding its livestock 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 due to the government's strategy to increase production of these crops.

The Kazakhstan Statistical Service reports wheat stocks for food as of January 1, 2020 are 15 percent lower than the previous year; seed use and feeding remain almost flat (see Chart 1 below).

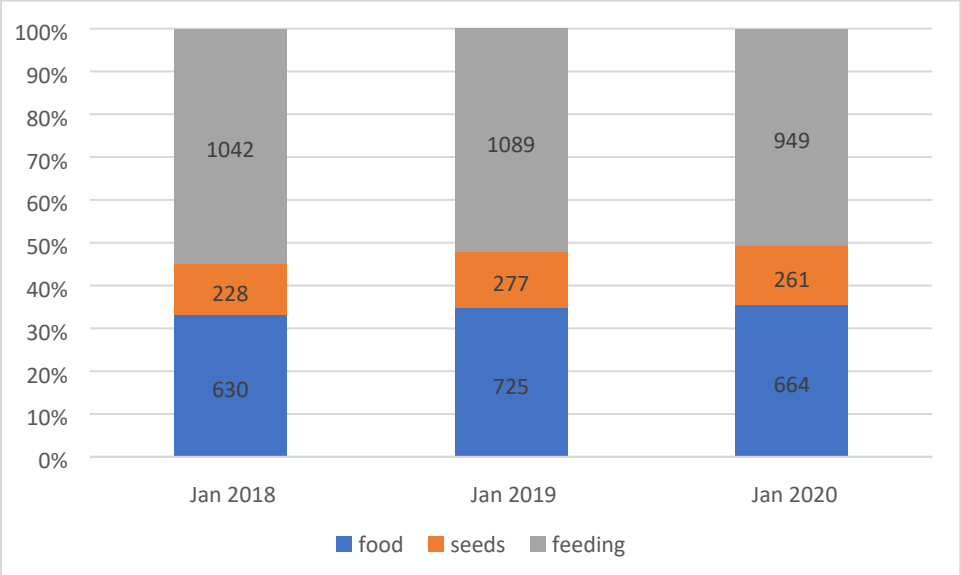
Chart 1. Kazakhstan Wheat Consumption Structure January 1, 2020 (Percentage/MMT)



Source: Kazakhstan Statistical Service

In MY 2019/2020 and MY19/20, FAS/Nur-Sultan forecasts flat feed use of barley at 1.9 MMT. The Kazakhstan Statistical Service reports barley stocks for food ago as of January 1, 2020 are 10 percent lower than a year ago, and 13 percent lower for feed from last year (see Chart 2 below). These lower stocks can be explained with lower quality of barley in MY 2019/2020.

Chart 2. Kazakhstan Barley Consumption Structure January 1, 2020 (Percentage/MMT)

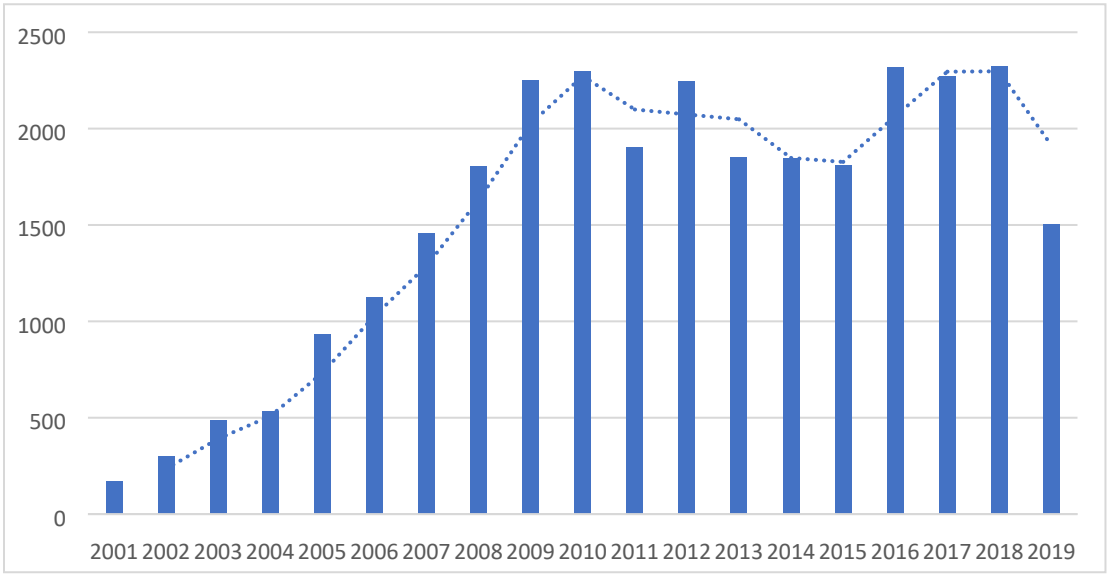


Source: Kazakhstan Statistical Service

Flour Mill Industry Update

The lower wheat quantity and quality in MY 2019/20 affected the milling industry, and experts report smaller wheat flour production and exports this marketing year. Thus, wheat flour exports are reported to be one million tons smaller than 2018 (please see Chart 2A below).

Chart 2A. Kazakhstan wheat flour exports

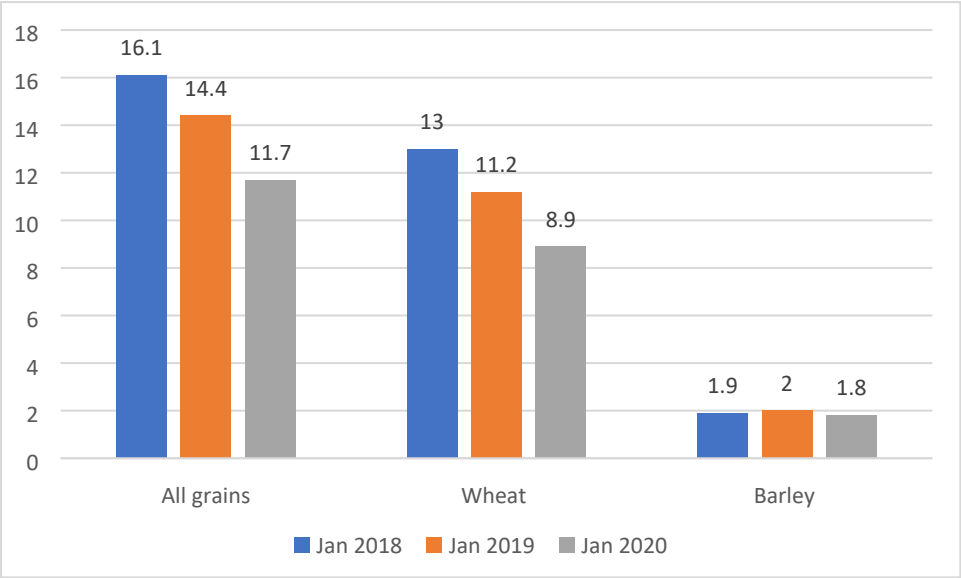


Source: Kazakhstan Millers Union

STOCKS

Wheat stocks are decreasing over the last three years. The Kazakhstan Statistical Service reports wheat stocks as of January 1, 2020 at 8.9 MMT, or 21 percent less than in January 1, 2019. Barley stocks are reported at 1.8 MMT, nearly flat from 2019. In fact, barley stocks remain almost flat over the last three years (see Chart 3 below).

Chart 3. Grains, Wheat and Barley Stocks January 1, 2020, MMT



Source: Kazakhstan Statistics Service

TRADE

Post forecasts Kazakhstani wheat exports at 5.2 MMT in MY 2019/2020 and 5.5 MMT in MY2020/2021. Experts note that lower exports in MY 2019/2020 were due not only to smaller production, but also lower quality thanks to extensive rains during harvesting, citing weediness and a musty smell. As a result, there is less exportable wheat available on the market. Grain producers estimate that the MY 2019/2020 harvest be similar to MY 2018/2019 in terms of self-heating and weediness and lower production.

The seasonally discounted railway tariffs have been announced for exporters. Kazakhstani national railways informed exporters that Uzbek railways provided a discount of 80 percent for grain, flour, and milling by-products towards Afghanistan up to the Galaba rail station, and a discount of 50 percent towards Turkmenistan and Iran to Hodgadavlet rail station.

The poor administration of VAT refunds causes difficulties for grain exporters, as payment can be delayed for years. Such delays reduce the financial capacities of the exporters, leading them to simply set higher export prices rather than expect VAT repayment. In turn, higher export prices make Kazakh wheat less competitive with Russian exports prices and eventually leads to loss of

some export markets. Experts note that Kazakhstan is losing market share in Central Asia now that Uzbekistan and Russia are more active.

Uzbekistan continues to be the number one importer of Kazakh wheat, as it has been for the last three years. During January-November 2019, wheat exports to Uzbekistan made up 40 percent of all exports. Traders expect demand from Central Asian countries to continue growing. (Please see Table 3 below).

Table 3. Kazakhstan Wheat Exports, January-November 2018, 2019

Partner	Unit	Calendar Year			January-November		
		2016	2017	2018	2018	2019	%Δ 2019/18
_World	T	4,409,502	4,248,442	6,163,908	5,534,070	4,837,369	-12.59
Uzbekistan	T	1,672,386	1,686,676	2,290,739	2,039,172	2,016,299	-1.12
Tajikistan	T	1,019,581	1,050,540	1,039,709	928,356	953,996	2.76
China	T	281,166	307,753	550,000	503,300	397,167	-21.09
Afghanistan	T	253,850	284,994	387,047	351,446	249,214	-29.09
Italy	T	156,165	239,900	350,331	319,560	137,248	-57.05
Turkey	T	61,406	146,496	290,649	283,458	178,769	-36.93
Azerbaijan	T	47,534	76,541	288,564	244,462	238,029	-2.63
Turkmenistan	T	0	0	259,648	218,799	208,784	-4.58
Russia	T	381,097	128,916	223,138	194,267	136,769	-29.60
Kyrgyzstan	T	225,812	220,680	145,126	134,225	135,981	1.31
Georgia	T	0	11,317	80,102	74,221	51,278	-30.91
Iran	T	227,688	11,653	50,245	50,245	4,565	-90.91
Vietnam	T	0	720	39,602	33,120	13,799	-58.34
Norway	T	2,800	0	38,995	38,995	5,250	-86.54
Sweden	T	35,588	40,870	36,951	30,951	9,000	-70.92
Tunisia	T	5,210	18,892	28,909	28,909	26,806	-7.27
Spain	T	0	6,017	26,733	26,733	0	-100
Greece	T	0	0	17,704	15,291	23,503	53.70
Netherlands	T	9,999	457	5,975	5,325	10,174	91.06
Poland	T	15,115	3,119	5,280	5,280	4,179	-20.85
Lebanon	T	0	0	2,940	2,940	0	-100
Ukraine	T	0	0	1,979	1,581	0	-100
Latvia	T	0	0	1,593	1,593	0	-100
Jordan	T	0	0	1,008	1,008	0	-100
Germany	T	21	731	921	813	418	-48.59
Lithuania	T	0	0	22	22	225	922.73
Malaysia	T	0	0	0	0	1,135	0
Finland	T	3,525	7,172	0	0	2,931	0

Belarus	T	0	0	0	0	2,628	0
Belgium	T	0	0	0	0	6,800	0
Algeria	T	0	5,000	0	0	0	0
United Arab Emirates	T	1,000	0	0	0	0	0
United States	T	5,000	0	0	0	0	0
United Kingdom	T	4,560	0	0	0	22,420	0
Sudan	T	0	0	0	0	0	0

Source: Trade Data Monitor LLC.

Iran continues to be the biggest importer of Kazakhstani barley, taking 87 percent of all exports during January-November 2019. New importers of barley from Kazakhstan in 2019 include China and Poland, but it is not yet clear whether they will become regular buyers. Several markets source barley from Kazakhstan irregularly. As was reported earlier, Kazakhstan and China signed protocols on phytosanitary requirements for barley and corn that enable Kazakhstan to export corn and barley to the Chinese market. Barley traders estimate that Kazakh exports of barley to China could reach 50,000-100,000 metric tons during MY 2019/2020, and up to 1 million tons during the next three years. Please see Table 4 below.

Table 4. Kazakhstan Barley Exports, January-November 2018, 2019

Partner	Unit	Calendar Year (UOM1: T)			January-November		
		2016	2017	2018	2018	2019	%Δ 2019/18
_World	T	778,530	908,555	1,748,616	1,492,004	1,425,481	-4.46
Iran	T	632,295	838,504	1,597,587	1,371,190	1,253,887	-8.55
Uzbekistan	T	28,857	28,416	102,892	80,937	47,983	-40.72
Russia	T	68,367	11,012	19,569	14,763	39,384	166.78
Afghanistan	T	16,378	15,387	12,041	11,295	3,217	-71.52
Germany	T	6,136	0	6,136	6,136	0	-100
United Kingdom	T	0	1,640	2,965	2,965	7,293	145.97
Iraq	T	0	0	2,412	737	4,343	489.28
United Arab Emirates	T	0	0	1,474	1,474	15,113	925.31
Tajikistan	T	266	3,547	1,418	861	2,668	209.87
Turkmenistan	T	130	0	871	871	547	-37.20
Belarus	T	0	0	612	136	8,508	6155.88
Kyrgyzstan	T	0	620	551	551	6	-98.91
Czech Republic	T	0	66	44	44	85	93.18
Netherlands	T	0	64	44	44	0	-100
Poland	T	0	0	0	0	65	0
Saudi Arabia	T	0	0	0	0	0	0

Georgia	T	0	0	0	0	0	0
Libya	T	0	0	0	0	0	0
China	T	0	0	0	0	31,666	0
Azerbaijan	T	0	0	0	0	7,315	0
Israel	T	0	0	0	0	3,400	0
Jordan	T	0	0	0	0	0	0
Turkey	T	2,802	0	0	0	0	0
United States	T	23,300	9,300	0	0	0	0

Source: Trade Data Monitor LLC.

In 2019, Kazakhstan imported nearly 264,000 tons of wheat and 125,300 tons of sunflowers from Russia's Altai Territory, according to the Russian plant and animal health watchdog Rosselkhoznadzor's local office.

POLICY

Starting from January 2020, Kazakhstan changed its crop insurance system from obligatory to voluntary. The obligatory crop insurance did not prove its effectiveness over the past 15 years since its establishment. Under the previous program, farmers complained that insurance payments did not cover even minimal production costs. The new voluntary insurance system is established for both crops and livestock production. It also provides government support through subsidized insurance police purchases. Moreover, the insurance policy will be accepted as additional collateral for loans. The insurance contract, payment, and other details will be administered electronically. The Kazakhstani Ministry of Agriculture believes that this system will reduce farmers' costs and will make insurance system more transparent.

Kazakhstan is also making progress on its plan to design "BidayCoin," a new crypto currency to help traders and producers make payments directly. This is to avoid costly and delayed banking services. This system will be connect with electronic warehouse receipts and other payments; for instance, for subsidized fuel, fertilizers, insurance, and other services.

Starting from January 6, 2020 the Kazakhstani Ministry of Agriculture established new type of subsidy to compensate 80 percent of the farmer's costs for agricultural research and innovation. The ministry believes that this subsidy will help to implement new and innovative technologies in agriculture.

The government-owned financial institution KazAgro has been criticized in the past year by President Tokayev on its poor performance and duplicative functions between its subsidiaries. As a result, KazAgro has reduced the number of its subsidiaries from seven to three: the Agrarian Credit Corporation (in charge of loan programs, lending to commercial banks, credit and microcredit unions, and leasing companies), the Fund for Financial Support in Agriculture

(microlending to small businesses, loan guarantees, insurance) and KazAgroFinance (agricultural machinery and equipment leasing).

In other recent policy developments, an Import Substitution Council will be organized in by the National Chamber of Entrepreneurs (Atameken). The main goal of the new Council will be to analyze the best practices used by the successful enterprises in the manufacturing and agricultural sectors and to develop and submit to the government proposals for import substitution. The Council will also focus on local content development, regulated procurement practices, customs and tariff policies, technical regulations, mineral resources base expansion, infrastructure development, government support mechanisms, industrial cooperation, subcontractor development, and other issues relating to development of the manufacturing sector. The Import Substitution Council will be comprised of Kazakhstani businessmen.

Finally, the government has withdrawn leases for 320,000 hectares of unused agricultural land in Kostanay region, and an additional 104,000 hectares are under consideration. In North-Kazakhstan region 670,00 hectares of agricultural lands and were given to other land users for cultivation during the last four years.

NOTE: The National Bank of Kazakhstan exchange rate as of February 6, 2020: 1 U.S. Dollar = 378,49 Tenge

PSD

Wheat	2018/2019		2019/2020		2020/2021	
Market Begin Year	Sep 2018		Sep 2019		Sep 2020	
Kazakhstan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11354	11354	11250	11300	0	11300
Beginning Stocks	2542	2542	1683	1683	0	1513
Production	13947	13947	11500	11500	0	12000
MY Imports	90	90	130	130	0	60
TY Imports	89	89	130	130	0	60
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	16579	16579	13313	13313	0	13573
MY Exports	8296	8296	5200	5200	0	5500
TY Exports	8780	8780	5200	5200	0	5500
Feed and Residual	1800	1800	1800	1800	0	1800
FSI Consumption	4800	4800	4800	4800	0	4800
Total Consumption	6600	6600	6600	6600	0	6600
Ending Stocks	1683	1683	1513	1513	0	1473
Total Distribution	16579	16579	13313	13313	0	13573
Yield	1.2284	1.2284	1.0222	1.0177	0	1.0714

(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jul 2018		Jul 2019		Jul 2020	
Kazakhstan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2516	2516	2950	2976	0	2800
Beginning Stocks	370	370	403	403	0	233
Production	3971	3971	3900	3800	0	3800
MY Imports	32	32	30	30	0	30
TY Imports	30	30	30	30	0	30
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4373	4373	4333	4233	0	4063
MY Exports	1820	1820	1800	1800	0	1700
TY Exports	1762	1762	1800	1800	0	1700
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	403	403	333	233	0	163
Total Distribution	4373	4373	4333	4233	0	4063
Yield	1.5783	1.5783	1.322	1.276	0	1.357
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments