

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Voluntary Public

Date: 10/6/2015

GAIN Report Number: KZ 14

Kazakhstan - Republic of

Post: Astana

Kazakhstan Agricultural Update

Report Categories:

Agriculture in the News

Approved By:

Robin Gray

Prepared By:

Zhamal Zharmagambetova

Report Highlights:

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General Information:

Welcome to the Kazakhstan Agricultural Update, a summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within Kazakhstan, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification. Note: The Current FOREX rate is 271.5 tenge/\$1.

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DOMESTIC POLICIES

Kazakh Currency Devaluation: After the tenge reached an all-time low exchange rate of 300 tenge/USD, on September 16th the National Bank of Kazakhstan (NBK) announced it would intervene with \$144 million to stabilize the national currency. The tenge strengthened immediately to 270 tenge/USD.

Changes in Kazakhstani Land Management: In September, the Kazakhstani Ministry of Agriculture launched a dryland management project co-funded by the UNDP and the Global Environment Facility (GEF). GEF provided five-year project funding of \$1.9 million with co-funding from the Ministry of Agriculture. The project aims to implement pilot projects on several farms in different regions of Kazakhstan. The project will focus on effective pasture management in northern Kazakhstan, distant-pasture cattle breeding in eastern Kazakhstan, and vegetable and fruit-growing in Almaty Oblast. Moreover, at the end of September Yerbolat Dossayev, National Economy Minister, presented to Parliament proposed amendments to the Labor Code that would allow for the sale of currently leased farmland in Kazakhstan. Dossayev explained that the land will be sold in two ways – through auctions for new land users and by extending preferential terms of sale to those already leasing the land. Land lessees would be allowed to buy their lands at 50% of its appraised value in installments over ten years.

GRAIN:

Kazakhstan Export Forecast: The Kazakh Ministry of Agriculture expects exports of grain this marketing year (July 2015 to June 2016) to reach eight million tons. The grain yield forecast for this year is at 17.7 million tons, or 0.5 million tons higher than last year. The Ministry estimates that domestic demand will be between 9 and 9.5 million tons and 8 million tons, including flour, will be exported. In the 2014-2015 marketing year, Kazakhstan exported over 6.6 million tons of grain.

West Kazakhstan Grain Yield Expected Down: This year, grain growers in the West Kazakhstan region will collect less than one-third of the grain collected last year in the same region, according to the local Agriculture Department. Winter crops are currently under harvest and harvest of spring crops will begin soon. The Agriculture Department reported that although 46,000 hectares were sown with winter crops, only 28,000 hectares will be harvested. To date, 20,000 hectares of winter crops, or 73% have been collected, resulting in a yield of 1.5 tons per hectare. Furthermore, they estimate that the total

gross grain harvest will reach 88,000 tons this year, compared with a harvest of 247,000 tons of grain last year. Reductions in meat production in the Terektinsky district, milk in the Zelenovsky and Uralsky districts, and eggs in the Bokeiordinsky district were also recorded.

No Locust Plague: The Ministry of Agriculture reported that following a successful treatment of more than 3.3 million hectares, crops this year have not been affected by locusts as predicted. The treatment, which cost 733 billion tenge, was initiated after the Ministry of Agriculture forecast that this year flocks of locusts would migrate from the Astrakhan and Chelyabinsk regions of Russia to Kazakhstan.

TRASIT CONNECTIONS:

Rail Line Between Kazakhstan and Pakistan Under Discussion: According to President Nazarbayev, Kazakhstan and Pakistan may boost trade if transit issues are resolved, and noted further that unresolved transit issues between the two countries are responsible for slowing bilateral trade. Discussions have focused on the possibility of connecting two railway lines Kazakhstan-Turkmenistan-Iran and Pakistan-Iran and Turkey, and linking transit routes to the Pakistani ports of Gwadar and Karachi.

Logistics and Infrastructure Deal with China: During President Nazarbayev's recent trip to China, the delegation discussed prospects for expanding cargo traffic through Kazakhstan's logistics terminal at the port of Lianyungang. On the same day, KTZ CEO, Askar Mamin, and Jiangsu Province Governor, Li Xueyong, signed a framework agreement for Jiangsu Province to invest \$600 million to develop the Khorgos Special Economic Zone near Almaty. The agreement was advanced to finance the development of a transport and warehousing zone over the next five years.

EAEU:

Kazakhstan and Russia Talk Agriculture at Sochi: The Presidents of Kazakhstan, Russia, and Belarus met in Sochi on September 15th to discuss agricultural production, the EAEU economy, and several recent trade disputes. President Nazarbayev said Kazakhstan and Russia need to pursue a coordinated policy in agriculture and expand agricultural cooperation. Over the last few months there have been a number of agriculture-related trade disputes between Kazakhstan and Russia, most recently resulting in long lines of trucks waiting for clearance at the border.

Queues on Kyrgyzstan Border: Trade between Kyrgyzstan and Kazakhstan has increased significantly since Kyrgyzstan's accession to the Eurasian Economic Union (EAEU) on August 12th. This has resulted in long lines at the border according to Kyrgyzstan's Ministry of Economy, however the situation is expected to normalize soon. Part of the delay has been an adjustment to new procedures. On average, about 550-580 cargo trucks cross the border between Kyrgyzstan and Kazakhstan every day. Recent discussions between the Government of Kyrgyzstan and Kazakh Customs Authorities highlighted particular difficulties encountered in exporting vegetables from Kyrgyzstan.

Trade Between Kazakhstan and EAEU Down: From January 2015 to June 2015, trade between Kazakhstan and the other countries of the EAEU totaled \$7.806 billion. This trade volume is down 21% compared to the same period in 2014, according to the Statistics Committee of the Ministry of National

Economy of Kazakhstan. Kazakhstani exports to Belarus, Russia, and Armenia during the reporting period amounted to \$2.351 billion (down 26.8%) and imports totaled \$5.455 billion (down 18.2%).

Kazakhstan's exports mainly included mineral products (51.3% of total exports to the EAEU), chemical products (20.3%), metals and metal products (16.7%), and livestock products, ready food products (4.0%). Kazakhstani imports from EAEU countries principally included: machinery and equipment (30.8% of total imports from the EAEC), mineral products (15.0%), metals and metal products (14.5%), chemical products (14.0%), and products of animal and vegetable origin, prepared foodstuffs (12.9%).

TRADE:

Kazakhstan's Beef Exports Expected to Increase: The Executive Director of the Meat and Dairy Union of Kazakhstan, Sansyzbai Umirbekov, predicted that Kazakhstan's beef exports will increase over the next five to seven years, potentially reaching 60 thousand tons. Speaking recently following meetings with Russian President Putin in Sochi, Kazakhstan President Nursultan Nazarbayev stated that Kazakhstan is prepared to export beef to Russia. "Russia currently imports 1.5 million tons of all types of meat . . . Of this, 600,000 tons are beef alone for more than \$2.5 billion from third countries (Brazil, Paraguay, Uruguay and Argentina)."

Furthermore, Umirbekov maintained that the GOK's new monetary policy will significantly improve the situation for Kazakhstani farmers by leveling the competition in the domestic market and strengthening the position of domestic producers in the domestic market. Currently, according to data from the Ministry of Agriculture, 60% of dairy products are produced in Kazakhstan, while the remaining 40% are imported. Moreover, the program "Agribusiness 2020" plans to launch about 100 family and 10 large companies, which will produce competitive dairy products. This launch is projected to enable Kazakhstani producers to meet 85-90% of domestic milk demand.

Kazakh Imports of Norwegian Fish: On August 24th, Russia's Rosselkhoznadzor introduced a temporary ban on imports of fish products from 14 Norwegian enterprises. Rosselkhoznadzor announced this decision after Norwegian authorities refused to allow Rosselkhoznadzor to inspect Norwegian enterprises. Subsequently, Russian authorities officially notified Kazakhstan and other EEU countries that shipment of Norwegian salmon and trout through the territory of the Russian Federation, regardless of the destination, would be destroyed. The National Chamber of Entrepreneurs of Kazakhstan stated that this decision by Russia has interdicted not only transit, but also the import of fish to Kazakhstan. The Ministry of Agriculture of Kazakhstan voiced its position on August 27, 2015 stating that: first, the imported Norwegian fish after processing at Kazakhstan's enterprises is considered a product of Kazakhstan and cannot be restricted for selling in EEU countries, and second, that because Rosselkhoznadzor did not inspect the Norwegian enterprises and did not issue any official conclusion regarding these inspections, the EEU countries do not have any documentation upon which to join Russia. Therefore, Kazakhstani authorities have maintained that there are no grounds for restricting imports of Norwegian fish to Kazakhstan.

Kazakhstan/UAE Seal Veterinary Memorandum: The Ministry of Agriculture of Kazakhstan and the Ministry of Environment and Water of the United Arab Emirates recently signed a memorandum on veterinary cooperation. The agreement is intended to give new impetus to veterinary cooperation between the two countries and will reportedly allow Kazakhstan to export live animals, animal products and fodder to the UAE according to Ministry press releases.

Kazakhstan Plans to Keep all Export Duties: Kazakhstan, as a new member of the WTO, has

announced intentions to keep all existing export duties according to the Director of Foreign Trade Department of the Ministry of National Economy. Janelle Kushukova, of the Ministry recently stated that, "During very intense negotiations with the European Union, we have stood our ground to apply all export duties we have today. Moreover, if in the future we want to set export duties on other products we are free to do that after notifying the WTO member countries."

BIOTECHNOLOGY

Nazarbayev Speaks Favorably on GE Technology: Kazakhstan President Nursultan Nazarbayev recently met with leaders from the Akmola, Kostanai and North Kazakhstan regions to discuss the progress of the grain harvest and the current situation in their regional economies. Nazarbayev, after hearing their reports, noted that agricultural leaders need to pay special attention to science and research in the agro-industrial sector of the country. In particular, Nazarbayev observed the need to establish a national research council, stating, "It's time to do scientific research. . . . in the agricultural sector as the key areas of innovation must be developed." Nazarbayev commented further that genetically modified products would be implemented because there is no way to triple the amount of food in the world to feed people. He also commented on the competitive advantage experienced by countries, such as Canada, that utilize such technologies.

DATA:

Export Prices as of August 21, 2015 (USD/ton, 0 percent VAT).

Station	Wheat 3 class with gluten content		Wheat 4 class	Wheat 5 class	Barley	Flour			terms of shipment
	23-24%	27-30%	-		2 class	b/c	1 class	2 class	
	Sales	Sales	Sales	Sales	Sales	Sales	Sales	Sales	
Petropavlovsk (South-Ural rail way)	200-208	220-228	186-194	-	159-166	382-391	369-378	345-354	DAP
Sary-Agash	233-242	247-256	216-224	-	172-181	399-408	383-393	363-372	DAP
Lugovaya	237-249	251-260	220-229	-	176-184	407-416	387-396	362-371	DAP
Tobol (towards Russia)	206-215	233-242	206-215	-	206-214	401-410	396-404	369-378	DAP
Aktau port (Caspian sea)	248-257	266-276	239-248	-	208-217	419-428	410-419	388-397	FOB
Bekabad	277-284	296-305	270-278	-	-	459-467	436-445	419-428	CPT
Khairaton	327-335	347-357	317-325	-	256-265	481-491	464-471	447-455	CPT
Kuduklee	321-329	335-344	313-322	-	-	458-467	439-448	423-432	CPT
Sarakhs	-	-	-	-	-	-	-	-	-

Source: www.kazakh-zerno.kz

Video resources online in Russian language:

- <http://www.kazagro.kz/posevnaa-v-akmolinskoj-oblasti> - planting in Akmola region at the farm

of 5,000 hectares using new machinery

- <http://www.kazagro.kz/finansirovanie-mtf.-kostanaj> - Holstein cows from Idaho in Kostanay region, Fyodorovski rayon.