

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Approved By:

Robin Gray

Prepared By:

Zhamal Zharmagambetova

Report Highlights:

Kazakhstan's Expected 2015 Grain Exports . . . Food Corporation Financing of Spring Sowing Campaign . . . Saiga Antelopes Killed . . . Meat Processing Facility Construction Started . . . Agro-Industrial Park in Kostanai Region Planned . . . KazAgro Quarterly Net Profit Reaches Over Twelve Billion Tenge . . . KazAgro Subsidiary Boosts Lending Through Islamic Financing Program . . . Russia Returns Cheese to Kazakhstan . . . Kazakhstan and Russia in Meat Dispute . . . Kazakhstan to Spend \$20 Billion on Silk Road Project

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.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

Exchange Rate:

The National Bank of Kazakhstan exchange rate as of May 15, 2015: U.S. Dollar/185.8 Tenge.

GRAIN:

Kazakhstan's Expected 2015 Grain Exports: According to Kazakhstan's Minister of Agriculture, Asylzhan Mamytbekov, in the current marketing year, Kazakhstan plans to export between 6.5 - 6.6 million tons of grain. They have calculated this estimate based on current monthly average exports of about 500,000 tons of grain and flour per month. The 2014 gross grain harvest in Kazakhstan was 17 million tons in 2014, 6.6% below the 2013 harvest.

Food Corporation Financing of Spring Sowing Campaign: The Food Contract Corporation, a state-run grain procurement agency that is wholly owned by National Holding KazAgro, has spent 15.3 billion tenge to finance the spring sowing campaign. As of May 12th, the Food Corporation received more than 1,950 applications for a total of 16.2 billion tenge. The allocated amount for the approved and secured bids totaled 15.3 billion tenge. Food Corporation implements a forward purchase program for wheat and barley through financing of the spring and summer campaigns. The Ministry of Agriculture provided 17.650 billion tenge for the program. Agricultural producers must supply wheat under the forward contracts until November 1, 2015.

ANIMAL HEALTH:

Saiga Antelopes Killed: On May 12th, Kazakhstani news agencies reported the death of over 1,000 threatened saiga antelopes (*Saiga Tatarica*) in the Amangeldy region of Kostanay Oblast. According to the Kostanay regional forestry and hunting department, this is the traditional calving location and season for the saigas. A special intergovernmental expert panel urgently flew to the oblast to investigate. They did not find any signs of human-caused injuries, but reported that the dead saigas had swollen abdomens and discharge. The preliminary cause of death was determined to be severe malnutrition due to the lack of forage following the dry 2014 summer, that may have caused a bacterial infection known as pasteurellosis. The panel will publish the final report after May 16, when the results of blood and tissue tests and water and soil samples are complete.

OTHER:

Meat Processing Facility Construction Started: In Semey (East Kazakhstan Region), construction of a meat packing factory has begun. The cost of the project is estimated at \$25 million and is reportedly being financed through Iranian investment. The processing capacity of the factory will be 400 head of cattle and 2,000 sheep per day, with total production capacity of 7,000 tons of tinned meat and 7,000 tons of sausages per year. The cattle and sheep will be supplied by both domestic Kazakh inputs and imports from Russia and Mongolia.

Agro-Industrial Park in Kostanai Region Planned: According to the Kostanai Regional Chamber of Entrepreneurs, construction of an agro-industrial park near the city of Rudny, is planned for this year with completion expected within 5 years. The project, with a total estimated value of nearly 14 billion tenge, envisages a poultry plant, including broiler chicken and egg producing facilities, a grain processing complex, a plant for egg and poultry advanced processing, as well as a plant for biogas production. Food products produced at this complex will be shipped both domestically and internationally. A number of investors, including two Chinese companies, expressed interest in the project.

KazAgro Quarterly Net Profit Reaches Over Twelve Billion Tenge: Kazakh National Holding, KazAgro, posted a first quarter net profit of 12.128 billion tenge, compared with a net loss of 13.376 billion tenge during the same period last year, according to the company's consolidated financial statements. In the reporting period, the assets of KazAgro rose 3.5% to 979.339 billion tenge. National Managing Holding KazAgro JSC, established in December 2006, is in charge of the government's agricultural policy. The company manages the assets of its subsidiaries: National Company Food Contract Corporation JSC, KazAgroProduct JSC, KazAgroFinance JSC, Agrarian Credit Corporation JSC, Fund for Financial Support of Agricultural Sector JSC, KazAgroGarant JSC and KazAgroMarketing JSC.

KazAgro Subsidiary Boosts Lending Through Islamic Financing Program: Since the beginning of 2015, the JSC Fund for Financial Support of Agriculture has provided 24 loans, worth a total of 80.7 million tenge, under the Islamic financing program Murabaha. The fund plans to spend nearly 1.5 billion tenge in 2015, an increase of 70% from 2014 when 819.2 million tenge was lent to 234 agricultural producers. Loans are provided for four years at no more than 11% per annum. Borrowers must not be involved in activities banned by sharia such as gambling, production of alcohol and tobacco, or pig breeding. In addition, agricultural machinery must be new and domestically acquired in compliance with program terms. JSC Fund for Financial Support of Agriculture, part of National Management Holding KazAgro since 2007, specializes in lending, including micro loans to rural households, agricultural producers, small businesses, as well as in financing micro loan providers in rural communities.

EAEU:

Russia Returns Cheese to Kazakhstan: Rosselkhoznadzor, Russia's food market regulator, returned nearly 20 tons of cheese to Kazakhstan reportedly for regulatory non-compliance. According to Russian officials, the veterinary certificate accompanying the imported cheese was not duly executed and therefore was considered invalid. Rosselkhoznadzor stated further that this was evidence that authorities in Kazakhstan are failing to exert proper control over exports. The Russian food regulator

plans to send a letter to the Kazakh Veterinary Control Committee advising them to take adequate measures to prevent such situations in the future.

Kazakhstan and Russia in Meat Dispute: Food establishments in Kazakhstan have called on authorities to restrict imports of meat, oil and dairy products from Russia following a recent report from the Kazakh State Agency on Consumer Protection (SACP), which indicates that meat products imported from Russia were often infected with E.coli and salmonella. Additionally, SACP chairman Aliakpar Matishev reported that Kazakhstan's veterinary service returned a large batch of poultry (5 tons) to Russia because of the unlabeled presence of pork, noting that the presence of pork in products with no appropriate labelling was deemed a critical problem for the country where more than half of consumers are Muslim. This is not the first time that representatives of the industry in Kazakhstan have appealed to the government to limit supplies of meat products from Russia. However, previously, such requests were connected to the devaluation of the Russian currency, which made it hard for Kazakh manufacturers to compete with cheaper imported Russian food products. In response, the Russian sanitary service, Rospotrebnadzor, announced that it had discovered several batches of poor-quality food products from Kazakhstan in markets across a number of Russian regions. In the past couple of years, Kazakhstan has seen a six fold increase in meat exports to the markets of the Customs Union, from \$1.4 million in 2012 to \$9 million in 2014, according to official statistics. The current situation prompted Russian observers to say the two countries have entered a "trade war" or "meat war," however, leaders of both countries continue to deny that any real conflict is taking place.

Kazakhstan to Spend \$20 Billion on Silk Road Project: Zhenis Kasymbek, Kazakhstan's Deputy Minister of Investment and Development recently reported that Kazakhstan plans to invest over \$20 billion by 2020 into its transportation industry to become the main transit country between the booming Chinese market and Europe. In 2013, Chinese President Xi Jinping brought up the idea of building a new Silk Road that would connect China with Europe and strengthen cooperation between Asia and Africa. This grand project would help China to build new political ties, as well as facilitate trade and economic activity from the Pacific Ocean to the Baltic Sea. According to Kasymbek: "The new economic policy of Kazakhstan prioritizes the development of transport infrastructure and logistics. In 2014, the state already provided more than \$2.5 billion, and between 2015 and 2017 it will allocate \$3 billion annually from the National Fund. Overall, we plan to invest over \$20 billion by 2020 in the development of the transport industry." Since Kazakhstan is a landlocked nation and its economic partners may be thousands of miles away, it is crucial for the country to become successfully integrated into international transportation networks. Therefore, the new Silk Road project is of vital importance for the Central Asian nation. According to estimates, the volume of trade between China and Europe will exceed 170 million tons by 2020. Today, the bulk of these goods are transported using water routes. Kazakhstan set the goal of attracting the maximum amount of this trade via the land route through its own territory.

DATA:

Export Prices as of April 27, 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)	210- 218	230- 238	196- 204	-	169- 176	394- 403	381- 390	357- 366	DAP
Sary-Agash	246- 255	260- 269	229- 237	-	185- 194	413- 422	397- 407	377- 386	DAP
Lugovaya	245- 257	259- 268	228- 237	-	184- 192	418- 427	398- 407	373- 382	DAP
Tobol (towards Russia)	216- 225	243- 252	216- 225	-	216- 224	412- 421	407- 415	380- 389	DAP
Aktau port (Caspian sea)	259- 268	277- 287	250- 259	-	219- 228	432- 441	423- 432	401- 410	FOB
Bekabad	285- 292	304- 313	278- 286	-	-	470- 478	447- 456	430- 439	CPT
Khairaton	338- 346	359- 368	328- 336	-	267- 276	493- 503	476- 484	459- 467	CPT
Kuduklee	331- 339	345- 354	323- 332	-	-	470- 479	451- 460	435- 444	CPT
Sarakhs	-	-	-	-	-	-	-	-	

Source: Kazakh-Zerno

Kazakhstan sowing update as for May 13.2015

Region	Moisture saving, 000 ha						Pre-planting treatment, 000ha						Spring tillage, 000 ha					
	Plan		Actual		%		Plan		Actual		%		Plan		Actual		%	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
AKMOLA	1,742	1,802	1,803	1,845	103	102	1,529	1,489	438	681	29	46						
AKTOBE	418	337	418	325	100	96	10	30	10	30	100	100	10	10	0	6	0	58
ALMATY	561	560	561	560	100	100	446	469	369	403	83	86	330	330	313	313	95	95
ATYRAU	5	5	5	5	100	100	6	6	6	6	100	100	2	2	2	2	100	100
EAST-KAZ	446	711	446	711	100	100	446	618	399	471	89	76	312	363	302	340	97	94
ZHAMBYL	111	104	111	104	100	100	282	283	283	286	100	101	176	169	176	170	100	101
WEST-KAZ	487	369	487	369	100	100	237	159	180	133	76	84	10	10	10	9	100	89
KARAGANDA	265	472	325	341	123	72	502	469	319	161	63	34	38	32	38	25	102	79
KOSTANAY	2,766	2,495	2,814	2,549	102	102	1,500	1,800	460	70	31	4						
KYZYLORDA							122	120	33	36	27	30	50	50	15	25	31	49
PAVLODAR	747	749	747	751	100	100	406	415	333	296	82	71	208	220	204	189	98	86
NORTHKAZ	4,048	4,053	4,048	4,037	100	100	1,200	1,200	737	284	61	24						
SOUTH-KAZ	497	497	485	490	98	99	497	497	485	485	98	98	497	496	470	483	95	97
TOTAL	12,093	12,154	12,249	12,086	101	99	7,183	7,553	4,050	3,342	56	44	1,632	1,681	1,531	1,560	94	93

PLANTING,
000 HA

Region	Spring grains						Oilseeds						Permanent grasses (alfa-alfa)					
	Plan		Actual		%		Plan		Actual		%		Plan		Actual		%	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
AKMOLA	4,198	4,196	5	0	0	0	279	267	0	9	0	3	39	39	29	23	73	59
AKTOBE	506	352	85	30	17	9	45	32	5	2	11	7	11	7	0	2	3	26
ALMATY	203	216	175	208	86	96	159	162	97	110	61	68	10	17	10	17	100	100
ATYRAU	0		0		100		1		1		100		1	1	0	1	60	60
EAST-KAZ	539	586	271	244	50	42	350	358	213	202	61	56	20	33	25	11	124	32

ZHAMBYL	116	120	114	132	98	110	85	89	89	91	105	103	27	28	25	28	94	101
WEST-KAZ	330	274	150	89	45	33	87	49	12	16	14	32	14	32	17	9	124	27
KARAGAND A	686	704	47	28	7	4	30	20	8	1	28	6	39	21	13	1	33	3
KOSTANAY	4,332	4,143	0	0	0	0	284	366	0	6	0	2	17	29	0	3	0	10
KYZYLORDA	3	2	2	2	74	94	2	3	1	5	39	169	18	19	17	18	93	97
PAVLODAR	602	673	23	25	4	4	178	164	94	85	53	51	32	37	22	17	68	46
NORTH- KAZ	3,367	3,300	20	1	1	0	518	580	20	5	4	1						
SOUTH-KAZ	50	75	50	68	100	91	106	103	87	89	82	86	46	52	44	48	96	92
TOTAL	14,930	14,642	942	827	6	6	2,121	2,192	626	620	30	28	274	315	202	176	74	56

PLANTING,
000 HA

Region	potato						Vegetables						Horticulture					
	Plan		Actual		%		Plan		Actual		%		Plan		Actual		%	
	2014	2015	2014	2015	2014 4	2015 5	2014	2015	2014	2015	2014 4	2015 5	2014	2015	2014	2015	2014 4	2015 5
AKMOLA	18	19	8	11	43	59	4	4	1	2	30	45						
AKTOBE	5	5	0	1	4	11	4	4	0	0	3	9	1	1	0	0	0	20
ALMATY	38	39	32	35	84	90	32	32	29	30	92	93	5	5	4	4	78	83
ATYRAU	1	1	0	0	14	21	2	2	1	1	35	46	1	1	0	1	50	67
EAST-KAZ	24	23	12	9	51	41	9	10	3	2	35	24	3	3	2	2	57	47
ZHAMBYL	8	8	8	8	101	103	21	22	22	23	104	106	9	9	9	10	100	109
WEST-KAZ	5	5	3	2	56	35	4	4	1	1	28	18	2	2	1	0	33	10
KARAGAND A	8	8	2	1	25	11	1	1	0	0	23	3						
KOSTANAY	11	10	0	2	0	19	3	2	0	0	0	13	1	1	0	0	0	33
KYZYLORDA	7	8	0	0	0	2	6	7	0	0	0	2	8	8	0	0	1	5
PAVLODAR	16	17	10	10	61	57	6	6	3	3	45	53	1	2	1	1	92	76
NORTH- KAZ	28	29	6	2	21	7	5	5	1	0	13	4						
SOUTH-KAZ	15	15	10	11	70	72	33	37	24	28	72	77	55	49	46	49	84	100
TOTAL	183	186	90	91	49	49	130	136	85	91	65	67	85	80	63	67	74	84

PLANTING,
000 HA

Region	Corn for grain						cotton						sugar beats					
	Plan		Actual		%		Plan		Actual		%		Plan		Actual		%	
	2014	2015	2014	2015	2014 4	2015 5	2014	2015	2014	2015	2014 4	2015 5	2014	2015	2014	2015	2014 4	2015 5
ALMATY	68	72	39	43	58	60							1	4	1	4	75	100
ZHAMBYL	13	14	13	15	102	104							8	10	1	4	9	44
KYZYLORDA	1	3	0	0	0	1												
SOUTH-KAZ	35	40	30	32	86	81	128	115	87	95	68	83						
TOTAL	117	128	82	90	71	70	128	115	87	95	68	83	9	14	2	8	18	60

	rice					
	plan		actual		%	
	2014	2015	2014	2015	2014 4	2015 5
ALMATY	14	10	5	4	37	39
KYZYLORDA	77	76	39	48	50	63
TOTAL	91	87	44	52	48	60