

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Kazakhstan Agricultural Update

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Report Highlights:

Kazakhstan Agricultural Update as for November 18.2014

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 180.87 tenge/\$1.

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GRAIN:

Kazakhstan to Export More Wheat to China: Kazakh Food Contract Corporation, the national operator of grain procurement, plans to export another 20,000 tons of wheat to China, according to Deputy CEO Sabit Kashkimbaev. From July to October 23, 2014 the corporation shipped 10,000 tons of wheat to China. During the period from October to December 2014, the corporation plans to ship an additional 20,000 tons of wheat. The contract was signed within the framework agreement concluded between KazAgro and COFCO during President Nursultan Nazarbayev's visit to China in May.

KazAgro National Holding agreed to supply 100,000 tons of wheat to China in 2014-2015. In 2013, Food Contract Corporation wheat exports to China totaled 10,000 tons. The Agricultural Ministry expects this year's exports to come to about 8 million tons of wheat.

Proposed Black Sea Grain Pool Scrapped: Discussions of creation of the Black Sea grain pool between Ukraine, Russia and Kazakhstan have been discontinued according to Deputy CEO of the Food Contract Corporation, Sabit Kashkimbaev. Moreover, no working group has been formed on this topic. The idea of the Black Sea grain pool was first raised at the First World Grain Forum in 2009, in St. Petersburg. The export potential of the three countries combined is estimated at 70 million tons.

Government Bread Subsidies to Remain Flat: The Kazakhstan government plans to extend the memorandum on fixed prices for first grade flour and pan bread until October 2015, according to the Chairman of the State Agribusiness Supervision Committee, Saktash Khasenov. This will ensure a fixed selling price for bread. In addition, the possibility of extending the current fixed prices until October next year is under discussion. Khasenov noted that the Food Corporation has a buffer of 800,000 tons of wheat that can be used to keep the price of bread and flour stable.

In February 2014, the memorandum was concluded between the Ministry of Agriculture, regional administrations, Astana and Almaty administrations and the Food Corporation. To fulfill the memorandum, the Food Corporation stocked 518,000 tons of grain, of which 401,200 tons were supplied to the regions between February 17 and August, 2014. In September, the State Commission for Kazakh Economy Modernization extended the memorandum on bread fixed prices until October this year.

Grain Storage Project Postponed until 2015: A grain storage facility planned for the Kostanai region, will be commissioned later than originally scheduled. Initially the commissioning was planned

for the fall of 2014 and construction was to begin in May 2015. Equipment for the project that was to be sourced in Turkey and transported through Ukraine has been delayed. The construction began in July, but adverse weather conditions have also complicated progress on the project. The cost of the project has been revised upward from 850 million tenge to 1.1 billion tenge. The cost projection has increased due to changes in the prices for metal and cement and general inflationary increases. The design capacity of the grain processing and storage complex is about 50,000 tons of grain a year.

MEAT AND LIVESTOCK:

Kazakhstan Lifts Ban on Australian Meat Products. Kazakhstan's Committee for Consumer Protection, under the Ministry of National Economy, announced an end to a five-month ban on imports of Australian Black Angus Rib Eye and other frozen beef. The Russian veterinary watchdog, Rosselkhoz nadzor, first announced in April a ban on all Australian beef products after discovery of residual trenbolone acetate, an anabolic steroid used in Australia to increase muscle mass in cattle. Kazakhstan followed suit later in May, citing Customs Union regulations prohibiting the use of "veterinary drugs (feed additives, animal growth stimulators, veterinary drugs) in the manufacturing of raw food of animal origin.

Meat Exports Up 95 Percent: Deputy Minister of Agriculture, Gulmira Isayeva, announced that from January 1 through October 30, 2014, Kazakhstan has exported a total of 8,800 tons of meat, including 4,400 tons of "premium" class beef. Roughly 90% of those exports have gone to Russia. This increase in exports represents a 95% increase in export volume over meat exports in 2013. The year-end export target of 10,000 tons would raise that figure to 122%. Isayeva also noted that Kazakhstan has also begun exporting halal meat products to Islamic countries.

Kazakhstan Seeking FMD-Free Status: Kazakhstan's status as a country free of foot and mouth disease will be determined in May next year, said Deputy Minister of Agriculture Gulmira Isaeva. According to Isaeva, they anticipate an announcement at the May Assembly of the Office International des Epizooties (OIE) of Kazakhstan's status as a country free of foot and mouth disease. Kazakhstan filed an application with OIE in September of an area free of FMD with vaccination or without vaccination, which under the WTO rules allows for export of meat to any country without limitations.

RUSSIAN FOOD BAN:

Russian Watchdog Introduces Additional Terms for Meat Imports from Kazakhstan: The Russian agricultural watchdog, Rosselkhoz nadzor, has introduced additional terms for meat imports from Kazakhstan to prevent trafficking, the watchdog said. The Committee of Veterinary Control and Supervision of Kazakhstan's Agriculture Ministry was informed that pork, including pork by-products, must now pass through control at temporary veterinary posts before being imported into Russia. In addition, the accompanying veterinary documentation must state that this inspection has occurred. Rosselkhoz nadzor also prepared a letter for the committee describing the necessity of sending electronic notifications on goods exported to Russia. Reportedly, the introduction of these new measures stem from the fact that Kazakhstan lacks a tracking system for both imported and domestic products. Moreover, Rosselkhoz nadzor has banned meat supplies from two Kazakh enterprises, LLP Akzhaykplem and LLP Kazintersauda, which allegedly were involved in an illegal supply scheme for raw meat materials. During the investigations, Rosselkhoz nadzor specialists were not permitted at these enterprises.

Rosselkhoznadzor Wants Customs Union Legislation to Include Kazakhstan in E-Control

System: Rosselkhoznadzor has suggested changing Customs Union legislation to include Kazakhstan in an electronic control system for the movement of monitored goods. The current legislation establishes an electronic control system for the import and movement of monitored goods for Belarus and Russia. A spokesperson for Rosselkhoznadzor noted that this legislative shortcoming was one of the reasons for the trafficking of illegal European meat from Belarus. Meat seemingly meant for Kazakhstan was unloaded in Russia, thus Rossekhoznadzor claims this is why it is necessary to amend current legislation so that there is a control system for the movement of transport. Measures to strengthen the legislation would mostly concern confiscating transport used to smuggle goods, as well as confiscating and destroying the products themselves.

INFRASTRUCTURE:

Kazakhstan-Turkmenistan-Iran Railroad to Opens in December 2014: Kazakhstan-Turkmenistan-Iran railway is expected to be opened in December 2014, according to the Minister for Investment and Development of Kazakhstan Assets. Kazakhstan's Chairman of the National Bank, Kairat Kelimbetov, noted; "In the long term, we believe that this will be the shortest route for Central Asian countries to the Gulf region with great opportunities for agriculture and resource industries." The total length of the railway Uzen (Kazakhstan) - Kyzylkaya - Bereket - Etrek (Turkmenistan) - Gorgan (Iran) will be 934.5 km. In 2013, Kazakh and Turkmen sections Uzen – Bereket were linked.

OTHER:

McDonald's Entering Kazakhstan Market in 2015: The first McDonald's restaurant in Kazakhstan is scheduled to open in the second half of 2015. Kazakh businessman and CEO of Almaly Asset Management Company, Kairat Boranbayev, will hold the company's local developmental licensee. He is currently the company's franchisee in Belarus. Kazakhstan will become McDonald's 120th global market. McDonald's is the world's leading global food service retailer with more than 35,000 locations serving approximately 70 million customers in more than 100 countries each day.

KazAgro Investment Portfolio Includes 298.6 Billion Tenge in Projects: KazAgro National Holding has 464 projects worth a total of 298.6 billion tenge in its investment portfolio. Three hundred and forty eight projects worth 207.5 billion tenge or 75% have been implemented.

KazAgro approved 216 investment projects to be financed from Kazakhstan's National Fund, 187 projects have been financed by the National Fund with 146 of them implemented.

The agricultural processing sector accounts for 17% (82 projects worth a total of 50.8 billion tenge) of the total project portfolio, including grain, meat, milk processing, as well as projects related to butter, rice, fish, wool. It is planned that by the end of the 12th year such investment projects worth 37.1 billion tenge will be implemented with 56 projects already implemented this year. The implementation of these investment projects will allow Kazakhstan to cut poultry imports by 21%, milk and milk product imports by 6%, and vegetables imports by 5%, according to the holding. 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: JSC National Company Food Contract Corporation, JSC KazAgroProduct, JSC KazAgroFinance, JSC Agrarian Credit Corporation, JSC Fund for Financial Support of Agricultural Sector, JSC KazAgroGarant and JSC KazAgroMarketing.

Tobol SEC to Increase Investments 40% by 2023: Tobol Socio-Entrepreneurial Corporation (SEC) in Kostanay plans to increase investments to 6.9 billion tenge by 2023. In 2014, SEC invested 4.9 billion tenge. The Tobol development strategy designed for 10 years, envisions an increase in investment without resorting to public funds. As of October 1, 2014, the investment portfolio of the corporation contained 47 investment projects with 5.5 billion funded through their own investment and 28 billion tenge raised by SEC partners in joint projects. SEC has reported that in 2015, an increase in investment will be achieved through the following projects: launch of a dairy product plant with Raimbek Group (1.4 billion tenge); production and processing of mare's milk with Kamenskural'sk (208 million tenge); and production of asphalt mixtures together with JV-TRANSSPHERE (300 million tenge). Tobol investments in these projects will total 738 million tenge, or 39% of the total investment. Net profit growth in the period is planned at the level of 10-15% annually. According to the financial results for the period 2010-2013, net profit was 406 million tenge. In 2014, net profit is projected to amount to 165 million tenge. Within a ten year period, the SEC also plans to boost the growth rate of foreign investment in manufacturing sector by 15% from 2013, attract at least two foreign investors a year, including those listed on the Global-2000 and promote no less than five projects with foreign capital every year.

China's Sanbao to Build an Egg Farm in Eastern Kazakhstan: China's Sanbao has issued a press release announcing plans to build an egg farm in the Ulansk District of the East Kazakhstan Region next year. The production capacity of the farm will be 100 million eggs a year. The project was discussed by East Kazakhstan Governor Berdybek Saparbayev and Sanbao Chairman Kang Heping. The construction activities will last six months. Agreements required to implement the project will be concluded in winter, according to the press release.

Malaysian Agrostan Farms Sdn Bhd Creating a Cluster of Farms in Zhambyl Region: Malaysian Agrostan Farms Sdn Bhd intends to create a cluster of modern farms in Zhambyl region, capable of raising 50,000 head of cattle. The press office of the Zhambyl regional administration said that the regional authorities seek to set up a cluster of modern farms specialized in meat production jointly with the company Agrostan Farms Sdn Bhd. Additionally, they envisaged that enterprises for processing agricultural products are also to be built.

The first stage of the project includes the construction of 80 farms in Moiynkum, Sarysu and Shu districts, covering a total area of 250 hectares of agricultural land with a full-fledged design capacity of 50,000 head of cattle. The construction of feeding stations for 24,000 head of cattle is planned in the Merke district. As a result of the project, it is estimated that beef production would reach 2,500 tons a year in the region, with plans to export beef to the Eurasian Economic Union member states.

Reportedly, government budgets will not be used as the entire project will be financed by the Malaysian company and local businesses willing to participate in the project. The cluster would get state support in the form of subsidies, according to the information.

Malaysian investors were reported to have expressed their willingness to invest \$350 million in projects over the next two years, and a total of \$1.750 billion within 10 years.

USAID Adopts New 5-year Strategy of Cooperation with Central Asia: United States Agency for International Development (USAID) has adopted a new strategy of cooperation with the Central Asian countries for the period 2015-2019. The new strategy is focused on three aspects: free trade and economy that are important for the economic development; regional cooperation on energy and water resource issues, which is important for further development and progress in the Central Asian countries;

and cooperation with efficient and transparent state institutions. In addition, USAID plans to assist in the development of the New Silk Way linking Central Asia to South Asia and other countries outside this region, noting that a transport system for maintaining trade and interconnectivity between countries and regions is especially important. Entrepreneurs participating in the 4th Central Asia Trade Forum repeatedly complained of difficulties they face when carrying goods via borders. The USAID program is focused on the scrutiny and support for resolving these problems, for sorting out issues, entrepreneurs complain of, while part of this activity is aimed at securing enhanced connectivity within the corridor between Central and South Asia.

DATA:

Export Prices as of October 24, 2014 (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)	184-196	200-209	175-184	-	152-163	367-377	353-363	330-338	DAP
Sary-Agash	225-232	235-244	210-222	-	175-182	194-402	374-383	353-363	DAP
Lugovaya	223-230	233-243	208-217	-	170-177	393-401	373-382	346-356	DAP
Tobol (towards Russia)	194-203	212-221	190-199	-	198-205	381-390	376-385	349-357	DAP
Aktau port (Caspian sea)	238-249	251-262	230-240	-	205-213	415-425	402-410	184-395	FOB
Bekabad	261-271	276-287	255-264	-	-	446-453	423-436	407-418	CPT
Khairaton	315-320	331-338	306-314	-	248-259	463-469	447-457	429-438	CPT
Kuduklee	307-318	319-327	299-307	-	-	444-451	426-432	410-418	CPT
Sarakhs	-	-	-	-	-	-	-	-	-

Export Prices as of October 15, 2014 (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)	177-186	190-200	167-175	-	145-154	360-369	345-355	321-331	DAP

Sary-Agash	216-225	227-234	202-212	-	166-175	385-394	367-375	345-354	DAP
Lugovaya	213-223	224-233	200-210	-	162-171	384-392	364-374	337-346	DAP
Tobol (towards Russia)	186-194	203-212	182-190	-	189-198	372-381	368-376	341-350	DAP
Aktau port (Caspian sea)	231-240	243-253	223-232	-	197-206	407-415	394-403	376-386	FOB
Bekabad	253-261	269-278	247-255	-	-	436-445	416-426	399-408	CPT
Khairaton	305-314	322-330	298-307	-	240-250	453-461	439-448	419-429	CPT
Kuduklee	299-308	311-320	290-299	-	-	434-442	416-425	402-411	CPT
Sarakhs	-	-	-	-	-	-	-	-	

Grain Harvest Progress

region	sown area, 000 ha		harvested area, 000 ha		harvested, 000 ha				harvested, 000 tons		Yield centner/ha	
	2013	2014	2013	2014	2013		2014		2013	2014	2013	2014
					000 ha	%	000 ha	%				
AKMOLA	4234.2	4171.9	4234.2	4107.6	4149.1	98.0	4070.6	99.1	5045.3	4865.5	12.2	12.0
AKTOBE	490.9	447.4	423.9	309.1	341.3	80.5	309.1	100.0	195.0	149.2	5.7	4.8
ALMATY	445.0	447.7	445.0	447.0	445.0	100.0	443.8	99.3	1116.5	1036.5	25.1	23.4
ZHAMBYL	229.6	257.4	223.5	252.2	223.5	100.0	249.4	98.9	413.5	278.8	18.5	11.2
WEST KAZ	354.1	320.9	323.0	285.5	310.6	96.2	285.5	100.0	202.8	232.7	6.5	8.2
KARAGANDA	669.6	699.3	665.0	692.2	665.1	100.0	674.4	97.4	864.6	705.6	13.0	10.5
KOSTANAY	4400.8	4109.7	4400.8	4100.7	4400.8	100.0	3811.7	93.0	5034.0	4204.3	11.4	11.0
KYZYLORDA	79.2	87.0	79.2	84.7	74.4	94.0	84.7	100.0	322.7	403.4	43.4	47.6
PAVLODAR	599.6	661.1	599.6	635.9	599.6	100.0	635.9	100.0	862.5	412.3	14.4	6.5
NORTH KAZ	3573.6	3274.2	3573.6	3274.2	3487.8	97.6	2995.8	91.5	5113.1	4613.5	14.7	15.4
SOUTH KAZ	559.1	586.2	556.5	567.6	556.5	100.0	567.6	100.0	1023.0	842.9	18.4	14.9
EAST KAZ	216.4	238.0	216.4	237.5	214.5	99.1	236.3	99.5	471.0	399.4	22.0	16.9
TOTAL	15852.1	15300.8	15740.7	14994.2	15468.2	98.3	14364.8	95.8	20664.0	18144.1	13.4	12.6

Data Source: Kazakhstan Ministry of Agriculture as of November 12, 2014 in bunker weight