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Kazakhstan - Republic of

Grain and Feed Update

Kazakhstan Grain and Feed October Report

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Report Highlights:

FAS/Astana estimates wheat production in Kazakhstan in MY 2017/2018 at 13.5 MMT, down nearly 10 percent from Post's estimate of 14.99 MMT for 2016/17, due largely to a decline in planted area. Barley production is forecast down about 17 percent at 2.7 MMT in 2017/18. While quantity is down, favorable weather conditions, seed improvements, and timely fertilizer treatment helped to make significant improvements this season in terms of wheat quality in Kazakhstan, which is a marked improvement compared to the past 4-5 years.

Post:

Astana

PRODUCTION

The Kazakh Ministry of Agriculture reports that as of October 11, 2017, farmers had completed 99% of harvesting, collecting 21 MMT of all grains (bunker weight) with country-average yield lower than expected at 1.4 tons per hectare. (Please, see Table 1 below.) FAS/Astana forecasts wheat production in Kazakhstan in MY 2017/2018 down approximately 10 percent to 13.5 MMT due to a decline in both area planted and area harvested, 11.5 million hectares the lowest area planted since 2004. One reason for the decline was the re-establishment of oilseeds subsidies which provided strong incentives for farmers to switch to oilseed production.

Wheat planted area has been greatly affected by government policies. From 2009-2015, area planted declined from 14.7 million hectares to 11.7 million hectares. One reason was a Kazakh Government policy of crop diversification. However, in 2016 wheat area planted jumped to 12.4 million hectares, an increase of 6 percent, after the government cancelled their per-hectare subsidies from January 1, 2016. The subsidies were later reinstituted in May 2016, albeit too late for producers to change their planting decision. As noted above, during the 2017 planting season, the Kazakh Ministry of Agriculture actively supported production of oilseeds crops, which affected planting decisions and caused wheat area to decrease. (Please see Chart 1 below.)

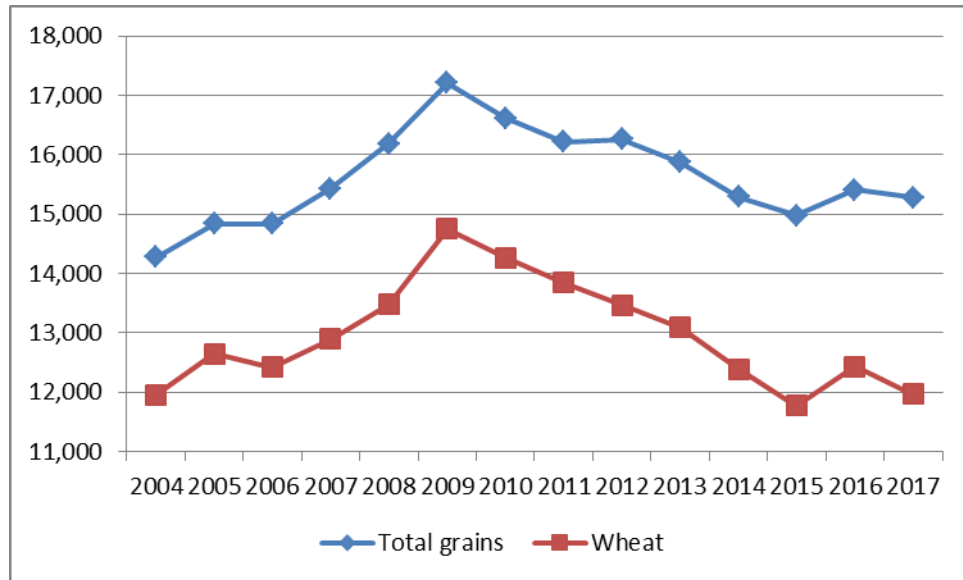
Although planted area for both winter and spring wheat is reported by Kazakh sources at 11.96 million hectares, FAS/Astana estimates harvested area at just 11.5 million hectares, held back by the fact that half of the agricultural machinery in Kazakhstan is outdated and could not complete harvesting on-time.

Wheat quality varied this year though the majority of wheat is qualified as grade three. Some wheat is hollow and has a low gluten content; however the average gluten content is reported at 25-26 percent. Experts note that gluten content this year is higher compared to the previous 4-5 years. Farmers in the Akmola region experienced septoria spot and rust diseases this past summer, which were treated on time and in general did not affect the crop. Experts reported that in the Kostanay region, direct harvesting¹ was prevalent this year compared to previous years. Farmers reportedly chose this method because the crop was evenly matured, with fewer weeds and the quality was good.

According to Kazakh sources, yields this season were somewhat disappointing, averaging 1.4 tons per hectare. Much like last year, the second half of August was hot causing the wheat head to look visually large, but in fact it was hollow. Kostanay farmers were expecting yields of 1.7-2.0 tons per hectare, but got 1.2 tons per hectare. The majority of Kostanay farmers applied fungicides effectively compared to previous years with some farmers even applying them twice. Farmers that used mineral fertilizers achieved yields of 1.7-1.8 tons per hectare.

Chart 1. Kazakhstan planted area, 2009-2017 years, thousand hectares

¹ Direct harvesting is a practice where farmers send the crop directly to the bunker or elevator after harvest rather than letting it dry in the field, first.



Source: Kazakhstan Statistical Service

Table 1. Kazakhstan Grain Harvest Progress Report, part 1

region	Area Planted, 000 ha		Area to be harvested, 000 ha			
	2016	2017	2016		2017	
			000 ha	%	000 ha	%
AKMOLA	4328.7	4324.0	3497.6	80.8	4324	100
AKTOBE	340.9	389.2	340.9	100.0	389.3	100
ALMATY	455.0	449.3	394.2	86.6	399.2	88.8
WEST KAZ	214.0	244.4	214.0	100	244.4	100
ZHAMBYL	251.4	258.4	251.4	100	258.4	100
KARAGANDA	717.8	780.1	669.1	93.2	780.1	100
KOSTANAY	4215.0	4192.3	3981.9	94.5	4192.3	100
KYZYLORDA	86.9	97.7	85.3	98.1	94.9	97.2
SOUTH KAZ	214.5	217.0	214.5	100	217.0	100
PAVLODAR	661.1	694.1	659.8	99.8	690.7	100
NORTH KAZ	3217.7	3087.5	3217.7	100	3087.5	100
EAST KAZ	572.1	564.9	567.6	99.2	558.8	99.0
TOTAL	15275.1	15298.9	14094.0	92.3	15236.6	99.6

Table 1.
Grain Harvest
Report, part 2

Kazakhstan
Progress

Source: Kazakhstan report as of October 11,

With respect to barley, in reported at 2.0 million increase from 2016 (1.9 mainly due to stable markets. As mentioned support for oilseed to switch to oilseeds. In this year leads Post to production in MY 2017/2018 at 2.7 MMT.

Region	Production, 000 tons		Yield centner ² /ha	
	2016	2017	2016	2017
AKMOLA	4498.1	5123.9	12.9	11.8
AKTOBE	426.5	512.1	12.5	13.2
ALMATY	818.9	1006.1	20.8	25.2
WEST KAZ	309.8	360.0	14.5	14.7
ZHAMBYL	589.4	623.5	23.4	24.1
KARAGANDA	957.6	788.3	14.3	10.1
KOSTANAY	5278.5	5225.3	13.3	12.5
KYZYLORDA	432.7	492.8	50.7	51.9
SOUTH KAZ	434.0	397.1	20.2	18.3
PAVLODAR	798.6	739.6	12.1	10.7
NORTH KAZ	5721.5	5627.5	17.8	18.2
EAST KAZ	919.6	774.7	16.2	13.9
TOTAL	21185.2	21670.9	15.0	14.2

Ministry of Agriculture 2017 in bunker weight

2017 barley area is hectares, showing little million hectares), demand from export above, government production led farmers addition, lower yields estimate barley

CONSUMPTION

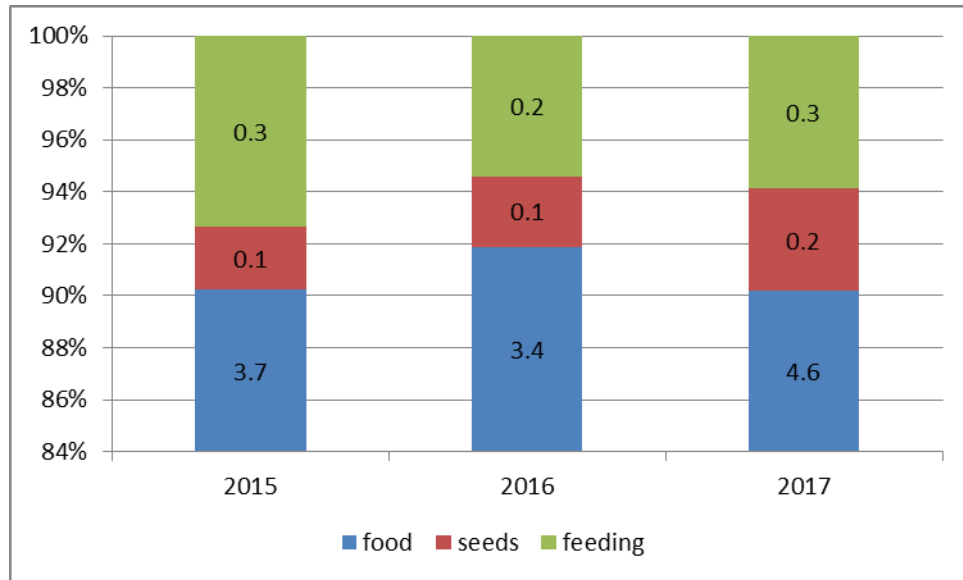
Food, seed, and industrial (FSI) consumption of wheat is expected to remain unchanged at 4.8 MMT in marketing year 2017/2018. Flour consumption is expected to grow in tandem with population growth.

Feed use of wheat in MY 2017/2018, is forecast flat. Although wheat remains the most fed grain in Kazakhstan for livestock, most of the increase in feeding in the near future is expected to be in barley and other feed grains and grasses because of the government's strategy to increase area to these crops. In MY 2017/18, feed use of barley is forecast at 1.7 MMT based on increasing demand for barley and new feed mill projects launching in Kazakhstan.

Wheat stocks for food in 2017 are 35 percent higher from the previous year and reached 4.6 million tons. This is due to higher quality this year which leads to storage for food use. (Please see Chart 2 below.)

Chart 2. Kazakhstan Wheat Consumption Composition, as of September 1, 2017

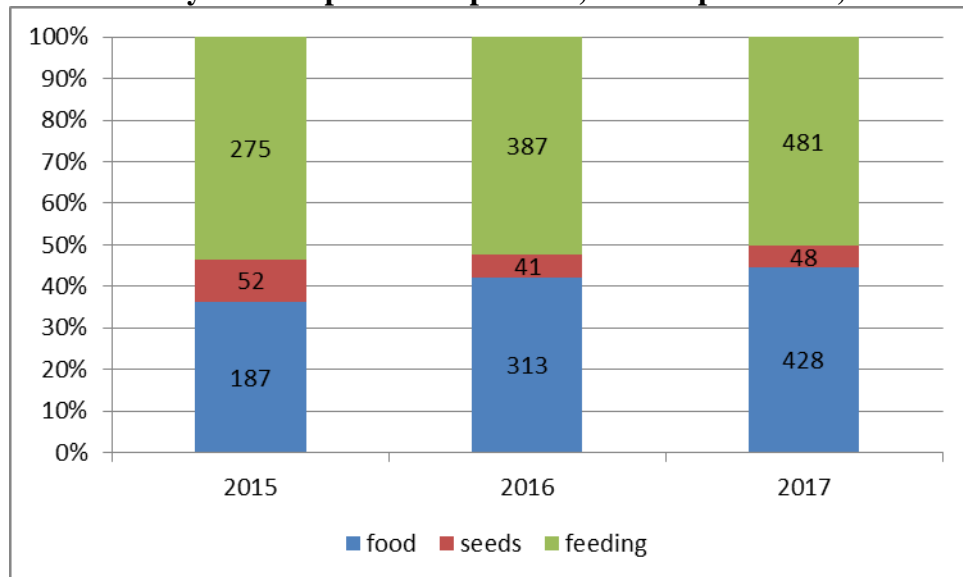
² 100kg/ha



It was announced in September 2017, that Chinese investors are interested in establishing noodle production facilities worth \$47 million in Kazakhstan with further exports to China of 700 tons of noodles per day. Chinese consumers are reportedly specifically asking for noodles made of Kazakh flour.

The Kazakh Statistical Service reports barley stocks for food as of September 1, 2017 are 36 percent higher than year ago. Barley consumption for feed is 24 percent higher than last year due to higher stocks and better barley quality this season. (Please see Chart 3 below.)

Chart 3. Kazakhstan Barley Consumption Composition, as of September 1, 2017



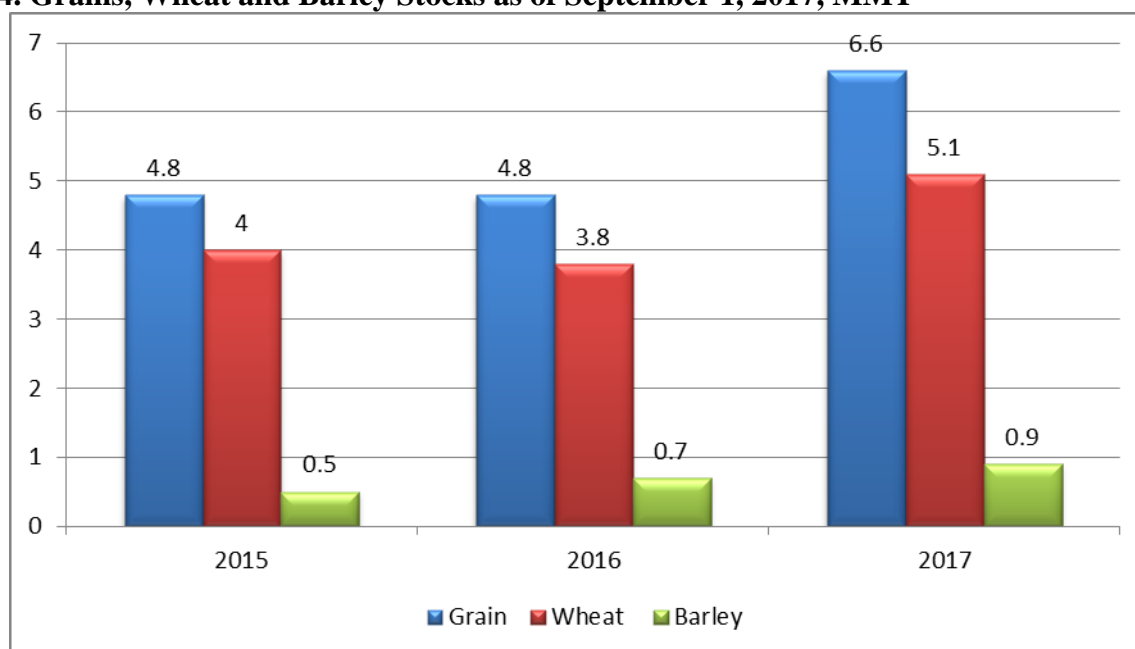
STOCKS

According to the Ministry of Agriculture, Kazakhstan's total grain storage capacity is 26.0 million tons, half of which can be stored in the 204 licensed grain storage facilities and half in on-farm storage. A list of the licensed elevators by regions is available on the Kazakh Ministry of Agriculture webpage [here](#).

Industry representatives say that the dry autumn helped farmers to stock their wheat on-farm and hold it waiting for a good price, in turn leaving the licensed elevators almost empty. The current rare sales by farmers mainly happen in an effort to receive cash money for their current needs and so far sales on the domestic market are sporadic.

The Kazakh Statistical Service reports wheat stocks as of September 1, 2017 of 5.1 MMT, 38 percent higher than in September 1, 2016; barley stocks are 30 percent higher than in September 1, 2016 at 957,000 tons. (Please see Chart 4 below.)

Chart 4. Grains, Wheat and Barley Stocks as of September 1, 2017, MMT



Source: Kazakhstan Statistics Service

TRADE

Post forecasts that Kazakhstani wheat exports will remain flat in MY 2017/2018 at 7.5 MMT. A number of regional market developments affected exports at the end of the previous marketing year and continue into the current marketing year. Stable exports to China during the last four months could be an indication of further development of the Chinese market. Since December 2015, Kazakhstan and China reportedly established a preferential trade regime that allows Kazakh wheat to be supplied in bulk and in bags which facilitates trade. Another potential market for Kazakh wheat includes Vietnam. A wheat test shipment was delivered to Vietnam in spring 2017 to explore this possibility. In addition, potential free-trade agreements between the EAEU, Singapore and India could lead to more wheat and wheat flour exports to those countries.

For January-September, 2017, the Akbiday Grain Terminal on the Caspian Sea transshipped 269,185 tons of grain from Kazakhstan mainly to Iran.

Kazakhstan continues its trade with EAEU countries and EAEU statistics show the following trade numbers for January-June 2017. (Please, see Table 2 below.) At this time, industry sources do not expect significant volumes of Russian wheat to be imported to Kazakhstan due to the unfavorable exchange rate.

Table 2. Kazakhstan Trade with EAEU Countries, January-June 2017

	Exports, MT	Imports, MT
Wheat		
KYRGYZSTAN	116,312	-
RUSSIA	77,436	13,345
BELARUS		10
Barley		
RUSSIA	9,685	1,301
Wheat Flour		
ARMENIA	4	-
KYRGYZSTAN	14,238	-
RUSSIA	10,844	655

Uzbekistan continues to be the number one importer of Kazakh wheat as it has been for the last four years. In MY 2016/2017 wheat exports to Uzbekistan made up nearly half of all exports. Uzbekistan imports Kazakh wheat, mills and blends it and exports it to Afghanistan using its geographical advantage to maintain its position as the dominant supplier. Afghanistan also imports Kazakh wheat directly and together with Tajikistan they continue to be stable importers of Kazakh wheat. As noted above, exports to China have grown, most notably over the last four years. (Please see Table 3 below.)

Table 3. Kazakhstan wheat export data, MY 2013/14-MY 2016/17

Kazakhstan Export Statistics					
Commodity: 1001, Wheat And Meslin					
Year Ending Series: August, 2014 - 2017					
Partner Country	Unit	Quantity			
		2014	2015	2016	2017
World	T	4463605	3200098	3567126	3760290
Uzbekistan	T	836033	1175202	1477939	1748382
Tajikistan	T	695939	838777	928669	1045311
Afghanistan	T	49969	35531	239424	284331
China	T	266645	126423	283165	260627
Italy	T	0	59880	91540	236889
Turkey	T	144091	26486	83355	69686
Azerbaijan	T	666122	181523	85802	43375
Sweden	T	62686	34368	29409	33349
Tunisia	T	0	0	5210	18891
Iran	T	982782	205013	290254	8361

Finland	T	0	1540	0	7697
Poland	T	6645	16822	18115	1589
Germany	T	80298	13010	0	752
Vietnam	T	0	0	0	720
Netherlands	T	485	0	9999	306
Georgia	T	153789	5000	2085	22
Belgium	T	150	0	0	0
Kyrgyzstan	T	427364	478022	0	0
Latvia	T	0	2501	6000	0
Norway	T	6000	0	5600	0
Sudan	T	54570	0	0	0
United Arab Emirates	T	30035	0	1000	0
United Kingdom	T	0	0	4560	0
United States	T	0	0	5000	0

Source: Global Trade Atlas

Iran continues to be the biggest importer of Kazakh barley, taking 87 percent of all exports in MY 2016/2017. Newcomers to barley exports from Kazakhstan in 2016 and 2017 were the United States and Germany. (Please see Table 4 below.)

Table 4. Kazakhstan Barley Exports Data, MY 2013/2014-MY 2016/2017

Kazakhstan Export Statistics					
Commodity: 1003, Barley					
Year Ending Series: June, 2014 - 2017					
Partner Country	Unit	Quantity			
		2014	2015	2016	2017
World	T	415734	482684	804475	681529
Iran	T	247453	410821	757600	595257
Uzbekistan	T	22688	43638	24777	36812
United States	T	0	0	9500	23100
Afghanistan	T	593	9877	9540	19294
Germany	T	0	0	0	6136
Tajikistan	T	5488	9280	126	930
Turkey	T	0	2001	2802	0
Turkmenistan	T	0	0	130	0
United Arab Emirates	T	1800	0	0	0
Israel	T	4248	0	0	0
Jordan	T	85690	0	0	0
Kyrgyzstan	T	340	6756	0	0
Libya	T	12559	0	0	0
Saudi Arabia	T	3939	0	0	0
Azerbaijan	T	28132	312	0	0
Georgia	T	2802	0	0	0

PRICES

One of the key grain traders in Kazakhstan is JSC Food Contracting Corporation (FCC). It is a 100% subsidiary of the National Management Holding, KazAgro, which in turn is held 100% by the Ministry of Agriculture. The FCC makes grain purchases on the local market which it provides to local livestock producers at a specified price (intended to protect them from unexpected price fluctuations on the open market). The FCC also exports grain and develops grain infrastructure. Every year the FCC purchases wheat and barley at set prices on the local market (according to Kazakh Law on Grain) for the national stocks. These purchases are intended to send a signal of the FCC's market strategy to other market players. Please see the FAS Grain Annual 2015 report for more detailed information on Food Contracting Corporation [here](#).

On August 1, 2017 the Food Contracting Corporation announced the following domestic market procurement prices for commercial stocks (including VAT):

- wheat 3rd class with gluten content 23% and protein 12% - 42,000 tenge (or \$122);
- wheat 3rd class with gluten content 25% and protein 13% - 45,000 tenge (or \$131);
- wheat 3rd class with gluten content 27% and protein 14.5% - 50,000 tenge (or 54,000 in case of bagging) (\$146 and \$158);
- wheat 3rd class with gluten content 32% and protein 15% - 60,000 tenge (in case of bagging) (or \$175);
- wheat 4th class with gluten content 20% and protein 11% - 39,000 tenge (or \$114);
- wheat 4th class with gluten content 18% and protein 9.5% - 37,000 tenge (\$108);
- wheat 5th class – 33,000 tenge (\$96)
- barley 2nd class – 40,000 tenge if supplying volume is less than 1,000 MT, and 41,000 tenge (or \$119), if supplying volume is more than 1,000 MT .
- ‘

Local millers consider domestic prices too high and it is most likely that millers will be looking for cheaper alternatives for milling purposes.

POLICY

The Ministry of Agriculture reported that 65% of tractors and 46% of combines in Kazakhstan are 17 years old, which negatively affects harvest. As a result, the Ministry will continue to provide support in the form of preferential loans for machinery to help farmers achieve greater efficiency.

For the last five years only 5% of seeds used were of elite standards, says the Kazakh Ministry of Agriculture. There are 362 certified seed producers in Kazakhstan, 267 of them produce grain crops seeds, 66 produce oilseed crops seeds, 55 produce feeding grasses seeds, 9 produce corn, 2 produce sugar beets. However, local seed producers are unable to meet the demand of local producers. As a result, the Ministry is going to change its approach to seed subsidies towards subsidizing only highly effective and first reproduction (i.e. reproduced from elite) seeds. Additionally, the Ministry plans to design standard mineral fertilizer application norms for all regions, which is expected to increase the use of mineral fertilizers from 261,000 tons to 777,000 tons, or from 10 to 30 percent.

**NOTE: The National Bank of Kazakhstan exchange rate as of October 10, 2017: 1 U.S. Dollar = 341.97 Tenge
PSD**

Wheat Market Begin Year Kazakhstan	2015/2016		2016/2017		2017/2018	
	Sep 2015		Sep 2016		Sep 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11571	11571	12373	12437	11800	11500
Beginning Stocks	3284	3284	2599	2559	3964	3934
Production	13748	13748	14985	14985	14000	13500
MY Imports	67	66	80	90	50	60
TY Imports	67	66	78	90	50	60
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	17099	17098	17664	17634	18014	17494
MY Exports	7600	7600	6800	6800	7500	7500
TY Exports	7600	7600	6750	6800	7500	7500
Feed and Residual	2100	2100	2100	2100	2100	2100
FSI Consumption	4800	4800	4800	4800	4800	4800
Total Consumption	6900	6900	6900	6900	6900	6900
Ending Stocks	2599	2559	3964	3934	3614	3094
Total Distribution	17099	17059	17664	17634	18014	17494
Yield	1.1881	1.1881	1.2111	1.2049	1.1864	1.1739

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

Barley Market Begin Year Kazakhstan	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2038	2038	1893	1894	2050	2070
Beginning Stocks	238	238	109	109	322	160
Production	2675	2675	3231	3241	2700	2700
MY Imports	0	0	10	10	10	10
TY Imports	0	0	10	10	10	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2913	2913	3350	3360	3032	2870
MY Exports	804	804	682	1000	600	600
TY Exports	776	776	900	1000	600	600
Feed and Residual	1700	1700	2046	1900	1900	1700
FSI Consumption	300	300	300	300	300	300
Total Consumption	2000	2000	2346	2200	2200	2000
Ending Stocks	109	109	322	160	232	270
Total Distribution	2913	2913	3350	3360	3032	2870
Yield	1.3126	1.3126	1.7068	1.7112	1.3171	1.3043

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