Kazakhstan - Republic of

Post: Astana

Kazakhstan Agricultural Update

Report Categories:
Agriculture in the News

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Report Highlights:
**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 March 2, 2015: U.S. Dollar/185.05 Tenge.

**GENERAL AGRICULTURAL POLICY:**

**Agricultural Funding Must Be Equally Accessible to Large and Small Companies:**
Funding in the agricultural sector must be equally available to both small and large companies, experts say. The deputy CEO of the National Chamber of Entrepreneurs, Rakhim Oshakbayev, noted that the agricultural funding program is harshly criticized, since the funding was mostly distributed among large companies while smaller companies were much less involved in the program. "The National Chamber of Entrepreneurs filed a proposal to the government to introduce "retrospective" investment subsidies, as the allocated funds cannot resolve the current situation in the agricultural sector. However, NCE offers to cut new investments since the production load at existing enterprises is low," Oshakbayev told Interfax-Kazakhstan.

In turn, the president of the Union of Farmers of Kazakhstan, Auezkhan Darinov, complained that most of the funds allocated to support agribusinesses were given to insolvent and unreliable borrowers. "According to our analysis, small and medium companies received only 0.2% of the allocated 300 billion tenge. The rest was once again split between holdings that constantly are indebted to the state and can’t return the money," Darinov said. General Director of the Kazakh Research Institute of Agribusiness and Rural Development, Altynbek Moldashev, says that the state support is mostly needed in the livestock industry.

**'Made in Kazakhstan' Campaign Launched in Astana:** The state campaign "Made in Kazakhstan" was launched in Astana on Monday, according to the nationwide movement "Kazakhstan 2050."
Speaking at the enlarged session of the Government on February 11, President Nursultan Nazarbayev called to support the domestic producers by launching a nationwide campaign "Made in Kazakhstan."
According to activists, the campaign started in one of the capital's network of supermarkets, and was launched with the major retail chains and manufacturers throughout the country. Within the campaign, sections with the products made in Kazakhstan will be marked with special colored labels with the inscription "Made in Kazakhstan." This label is supposed to highlight Kazakhstani products among other goods making them more visible to buyers.

**Kazakh Foreign Minister Hopes Country Will Join WTO in 2015:** Kazakh Foreign Minister, Erlan Idrissov, recently spoke at a Parliament meeting, noting that he hopes Kazakhstan will be able to join
the World Trade Organization (WTO) this year. The Minister pointed out the great importance of the WTO for Kazakhstan, noting that it was significant not only economically but also politically. "This is a balancer of our global economic relations. Through the WTO, we will get access to an extensive global trading system, to its standards, rules and regulations. These same rules and regulations will apply to Kazakhstan in trade with other countries. So for us the WTO is a signifier of growth, which we are consistently working towards."

Kazakhstani Agricultural Production Up in January: In January 2015, Kazakhstan produced 79.9 billion tenge worth of agricultural products, for an increase of 3.3% compared with January 2014, according to the Statistics Committee of the National Economy Ministry. In the reporting month, livestock production came to 76.6 billion tenge in value, or up 3.5% year-on-year. As of February 1st, the number of cattle in the Republic grew by 3.2%, year-on-year, to 6.009 million head, goats rose by 0.6%, to 2.389 million head, horses by 8.9% to 1.898 million head, sheep by 2.2%, to 15.524 million head, while the number of pigs dropped by 8.8%, to 896,700 head.

National Chamber of Entrepreneurs Requests GOK Maintain Funding for Farmers: The National Chamber of Entrepreneurs (NCE), requested that the Kazakh government maintain funding to farmers to keep up their competitiveness. NCE noted that in terms of government support, Kazakhstan’s agricultural sector is lagging behind Russia and Belarus thereby making domestic farmers uncompetitive. Entrepreneurs also question the expediency of financing new investment projects while production faculties under earlier financed programs are not functioning in full. Under these circumstances it is advisable to provide support for current enterprises and create conditions for them to reach 100% capacity, including the pay-out of retrospective subsidies. The Ministry of Agriculture’s 40 billion tenge budget request for agricultural producers' subsidies in 2015 may only be approved up to 50 percent. This would result in the under-funding of agriculture, and accordingly affect the competitiveness of Kazakh products. To this end, NCE requested the government not decrease the state support level.

Kazakh President Instructs Government to Increase Agriculture Financing: Kazakh President, Nursultan Nazarbayev, instructed the government to boost financing for entities in the agricultural sector, claiming that given the importance of the sector the amount should be increased to 500 billion tenge. The President noted that it is necessary to efficiently use the capacities of the agricultural sector and carry on with work to finance and rehabilitate its entities, which was started in 2013-2014. It was reported earlier that subsidiaries of National Managing Holding, KazAgro, have re-financed problem loans worth 312.9 billion tenge for 292 entities as part of the state program Agribusiness-2020 launched in January 2013. Rehabilitation under this program provides restructuring, re-financing and financing for indebted agricultural producers.


KazAgro, World Bank Discuss Cooperation Issues: A recent meeting in Astana with KazAgro and World Bank representatives was the forum for a discussion that focused on trends of agricultural development in the world and issues of industry development in Kazakhstan. In addition, the parties
discussed the prospects of cooperation in the diversification of the agricultural sector of the Republic and its adaptation to climate change. A KazAgro representative told the guests about the existing funding mechanisms of domestic agriculture, the main directions of the Agribusiness 2020 program, the subsidy system, as well as key priorities for further development of the group of companies of the National holding. The parties spoke about the coincidence of positions on many issues of both global and Kazakhstan agriculture development. Touching upon the prospects of cooperation, Kazakhstan Holding expressed an interest in the direction of long-term funding, as well as assistance in the development of technical support in the agricultural sector of the Republic with a network of loan partnerships. This is one of the activities of the holding to ensure maximum availability of financing for Kazakhstan agricultural producers.

GRAIN:

Kazakhstan's Grain Harvest Fell in 2014: According to the Ministry of National Economy, in 2014 Kazakhstan harvested 17.162 million tons of grain and leguminous crops in net weight after processing, a 5.9% decline. Wheat accounted for 75.7% of the total volume of crops and legumes. The gross harvest of oilseeds increased by 3.3%, potatoes by 2%, vegetables by 5.3% and melons by 12.6%. The North-Kazakhstan region contributed 26.5% of the total harvest, Akmola region contributed 26.2% and Kostanai region 23.2%. The highest yield of vegetables and potatoes was reported in the Almaty region with 26.9% and 20% of the national total yield respectively. The grain harvest in 2013 in bunker weight totaled 20 million tons and 18.2 million tons after processing.

Food Corporation to Supply Grain to Maintain Stable Bread Prices: Between January and September, 2015 the Kazakh Food Corporation will supply 738,000 tons of wheat to the regions to curb prices for bread and flour. Since January 2015, over 18 tons of wheat have already been delivered. The price of wheat set for the first quarter of 2015 is 43,000 tenge per ton. The Food Corporation also signed agreements to supply nearly 280,216 tons of feed grain to poultry, cattle and pig farms for the period February to May 2015.

KazAgro National Holding Closes Bidding for Sowing Campaign: KazAgro National Holding has stopped accepting bids from farmers for financing of the 2015 sowing and harvest season, citing an overrun of the allocated budget. The final deadline for receiving bids was February 13, 2015. According to KazAgro, “... 86.9 billion tenge worth of bids from 10 second-tier banks have been accepted,” and the holding plans to receive 60 billion tenge from the budget for these purposes. National Managing Holding KazAgro JSC, established in December 2006, is in charge of the government’s agricultural policy. The holding manages the assets of its subsidiaries: National Company Food Contract Corporation, KazAgroProduct, KazAgroFinance, Agrarian Credit Corporation, Fund for Financial Support of Agricultural Sector, KazAgroGarant and KazAgroMarketing.

Grain Elevators in Kazakhstan Obliged to Use Electronic Grain Receipts: Agriculture Minister Asylzhan Mamytbekov announced that grain elevators in Kazakhstan will be obliged to implement a grain e-receipt system based on a draft law under consideration by Kazakhstan’s Parliament. The law, among other things, envisages implementing grain e-receipts. The current system contains “certain
flaws” allowing grain elevators to issue securities “in endless numbers,” according to the Minister. One grain elevator can store 100,000 tons of grain but can issue grain receipts worth 200,000 tons. Reportedly, the current system lacks controls because managers maintain paper logs. Oversight would require a controller at each elevator. The Ministry maintains that use of e-receipts in parallel with paper receipts will elevate oversight. Specialized software would monitor conformity of e-receipts, issued by grain elevators, to grain volumes stored at these facilities. The Ministry argues that such a measure would increase trust in the system and thereby would permit the Ministry to attract additional funds to agriculture.

**Kazakhstan Plans to Build Grain Terminals in Poti and Vladivostok:** Citing GoK plans to build terminals in Poti, Georgia and Vladivostok, Russia as well as subsidization of wheat transport to the tune of 15 billion tenge, Agriculture Minister Asylzhan Mamytbekov recently stated that Kazakhstan should give up plans to build grain terminals abroad and reallocate funds for support of its own farmers. Mamytbekov maintained that such funds should instead be used to support farmers, develop the seed sector, purchase machinery and subsidize lending rather than “railways, including the Russian ones.” Kazakhstan signed an agreement on the construction of the grain terminal in Poti in 2007, but the project stalled due to difficulties relating to the charter capital formation in a would-be Kazakh-Georgian enterprise, with the further decision to relocate the terminal venue to another Georgian port, Batumi. In 2011, Romin Madinov, a member of the lower chamber of Kazakhstan’s Parliament, spoke of the necessity of construction of a Kazakhstan-owned terminal in Vladivostok.

**USAID Launches Kazakhstan/Afghanistan Flour Fortification Initiative:** As a pillar of the New Silk Road strategy which seeks to promote regional connectivity, USAID officials kicked off discussions in Astana and Almaty to boost Kazakhstani exports of vitamin-enriched wheat flour to Afghanistan and other countries in Central Asia. Malnutrition among children under five years of age ranges from 20% in Kazakhstan, Kyrgyzstan and Uzbekistan, to over 30% in Tajikistan, to more than 42% and 48% in Afghanistan and India, respectively. USAID officials and consultants from Kazakhstan and Tajikistan, along with representatives from the Global Alliance for Improving Nutrition (GAIN), met in Astana and Almaty in recent weeks with over a dozen stakeholders. They also held strategic meetings with Kazakhstan’s Miller's Association, other donor agencies, the Ministry of Agriculture, the Ministry of Foreign Affairs, the Standards Commission, and the Chamber of Entrepreneurs. The major barrier to increased movement of fortified flour is ensuring that all countries in the region have uniform standards for flour exports and imports, as well as ensuring compliance with those standards. Stakeholders in Kazakhstan were enthusiastic, seeing the initiative as an opportunity to both help diversify Kazakhstan's economy and simultaneously improve nutrition. In particular, the European Bank of Reconstruction and Development (EBRD) has already worked with some of the key millers in Kazakhstan, and is keen to collaborate with USAID, standing ready to offer financing and business advisory services for millers who want to expand operations and identify new export markets. EBRD suggested that the bank’s support for a major exhibition at USAID's annual Central Asia Trade Fair on “Financing for the Food Industry” was a possibility.

**MEAT AND LIVESTOCK:**

**Kazakhstan Ratifies FMD Agreement:** President Nazarbayev ratified the agreement between the government of Kazakhstan and the Office International des Epizooties (OIE) on the launching of the OIE Sub-Regional FMD Coordination Unit Office in Astana. The agreement was done in Astana on
October 16, 2013. Kazakhstan has been a member of the Office International des Epizooties since April 19, 1993. The Coordination Office will focus on strengthening control over the spread of FMD, development of a common approach and strategy in the fight against the disease in the region, and ensuring cooperation and joint efforts of veterinary services in cooperation with regional and special commissions of the OIE in the Central Asian region. With completion of the agreement, Kazakhstan will annually allocate $250 thousand for the proper functioning of the office in Astana. This fee and the finance department of the Astana office will be directly controlled by the International des Epizooties Office in Paris, France. In late December 2014, the Ministry of Agriculture of Kazakhstan said the country might get foot-and-mouth disease free status by the next Assembly of the World Organization for Animal Health (OIE) in May 2015. The FDM-free status will allow Kazakhstan to export meat products to the EU and WTO countries.

Rudny Egg Farm Reopens After Modernization: Zhas-Kanat 2006 LLP upgraded and returned into operation the egg farm in the town of Rudny in the Kostanai Region. The cost of the modernization project was 900 million tenge, which was financed through borrowed funds. As a result of the project, the design capacity of the farm rose 150% to 170-200 million from 65 million eggs a year. Zhas-Kanat 2006 LLP, organized in 2006, specializes in egg production.

Kazakhstan Poultry Farmers Face Difficulties Selling Their Products: Kazakhstan’s poultry farmers experience difficulties selling poultry and eggs, according to the country’s Association of Poultry Farmers. As of February 2, 2015, poultry farms had 11,000 tons of unsold poultry and 53 million eggs in their stores. The Association claims that the problem can be linked to the rouble collapse and the cheap Russian poultry products which have reached Kazakhstan’s shops. Furthermore, they argue that major poultry producers from Russia and other countries “dump prices trying to squeeze local farmers out of their own market, the worrying fact is that ex-factory prices on imports from Russia, Belarus, Ukraine and other countries are lower than the prices of domestic producers.” Prior to November 2014, Russia’s poultry price stood at 397 tenge per kg, while one egg cost 19 tenge. But later, between November 2014 and January 2015 this imported poultry became cheaper: 280 tenge per kg and eggs went down up to 14 tenge each. At the same time, Kazakhstan’s poultry production cost stands at 400 tenge per kg and 13.8 tenge per egg, with sales prices reaching around 468 tenge per kg and 14-15 tenge per egg, respectively. The poultry farmers complain that the Kazakh government is not doing enough to protect domestic producers, according to Ruslan Sharipov, Head of the Association. In 2014, Kazakhstan produced 148,000 tons of poultry and 4.2 billion eggs, according to the country’s association of poultry farmers.

Kazakhstan Prepares Infrastructure for Meat Exports: According to the Minister of Agriculture, Kazakhstan has prepared the necessary infrastructure to increase the volume of exports of beef. He noted further; "In general, the entire infrastructure is ready for export of beef, more than 600 thousand head of breeding stock have been registered in the program "Sybaga." Now we are working on breed transformation.” The farmers of Kazakhstan bought over 53,800 head of breeding stock in 2014 under the Sybaga program of Agrarian Credit Corporation JSC (ACC). The Sybaga program, launched in
February 2011, is aimed to increase exports of beef. To date, the program financed 1972 agricultural projects for a total amount of 27.8 billion tenge, which allowed the agricultural producers to buy over 147,000 cattle head. According to Mamytbekov, last year 12 thousand tons of meat were exported from Kazakhstan, including about seven thousand tons of beef. The Agrarian Credit Corporation JSC is a subsidiary of KazAgro National Holding. The Corporation offers subsidized loans to agricultural and non-agricultural companies operating in the agricultural areas of Kazakhstan.

TRADE:

Kazakh Parliament Ratifies Agreement on Elimination of Trade Barriers within CIS: The lower house of the Parliament of Kazakhstan has ratified an agreement between the Customs Union members on elimination of technical barriers in mutual trade with the countries of the Commonwealth of Independent States. The agreement is aimed at the elimination of the technical barriers in mutual trade between the member states of the Customs Union and the states of the Commonwealth of Independent States, non-member states of the Customs Union, and facilitating the access for products of the CIS countries to the single customs territory of the Customs Union, and at the expansion of trade and economic and investment cooperation. The document stipulates that any member state of the CIS, which is not a member state of the Customs Union, may submit the request for elimination of technical barriers in mutual trade in respect to certain products to the Eurasian Economic Commission.

Next meeting of Eurasian Intergovernmental Council Set: The next meeting of the Intergovernmental Council of the Eurasian Economic Union is set for May 29th in the village of Burabay in Kazakhstan. Moscow recently hosted the meeting of the Council with the participation of the heads of government of Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan. The Prime Ministers of the countries of the Eurasian Economic Union signed an order to provide funding for the pilot project for the introduction of labeling of goods and the development of the concept of the Eurasian engineering center for machine tools.

Russia Stops Polish Apples Transiting from Belarus to Kazakhstan: The Russian technical standards watchdog, Rostekhnadzor, for the Bryanks and Smolensk regions, recently announced that the transit of 58 tons of apples from Belarus to Kazakhstan was banned at the Krasnaya Gorka checkpoint in Russia’s Smolensk region. The apples were sent from Poland under Belarusian re-export certificates of fumigation, according to the press release. The watchdog also said that it banned traffic of food products, not checked out by the Russian side, from Belarus to Kazakhstan on November 24, 2014.

OTHER:

S&P lowers KazAgro Long-Term Ratings: Standard & Poor's Ratings Services lowered its long-term foreign and local currency issuer credit ratings on KazAgro to 'BBB' following the Kazakhstan downgrade. The agency affirmed the short-term foreign and local currency ratings at 'A-2'. "We equalize our ratings on KazAgro National Management Holding (KazAgro) with the sovereign ratings because we think that there is an almost certain likelihood that the government would provide timely and sufficient extraordinary support to KazAgro if needed. We are therefore lowering our long-term ratings on KazAgro to ‘BBB’," the agency said.
**Burger King Opens Ten New Restaurants in Kazakhstan in 2015:** Burger King, the fast-food chain, plans to open 10 new restaurants and food courts in Kazakhstan in 2015. "In 2015, we plan to open another 10 restaurants and food courts, five of which are currently under construction, including four "autoexpress" restaurants. The expansion of the chain will create more than 140 new jobs," Burger King in Kazakhstan CEO Samir Nashed told Interfax-Kazakhstan. The investment in the chain expansion is estimated at $5 million. Founded in 1954, Burger King is the second largest fast-food hamburger chain in the world.

**EXPO-2017 Spending Cut:** The Kazakh government intends to cut expenditures on the international exhibition, EXPO-2017, in Astana by 10 billion tenge, according to Kazakhstan’s Finance Minister Bakhyt Sultanov. This measure includes 6.9 billion tenge worth of cuts in spending on the construction of an exhibition complex.

**KFC Extortion Case Ends with Suspended Sentence:** A court in the capital city Astana delivered a verdict of a 5-year suspended sentence to the young man accused of attempting to extort 5 million tenge from KFC. On October 23, 2014, the malefactor sent a KFC trademark owner an e-mail containing false information that he bought KFC trademark food in one of the shopping centers in Astana, which had larvae, then he carried out laboratory tests and as part of his extortion plan he demanded that 5 million tenge. On December 11th, the accused was caught receiving the money.

**Vegetable Oil Plant Launched in Kostanai Region:** According to a Kostanai regional administration official, a facility for processing oilseeds will be launched in the Uzunkol District in November 2015. Nurjailyau-2 directed its own funds to the construction of a 350-million tenge plant. Commissioning is scheduled for November 2015, while the projected output will be reached in 2016. The plant is planned to process 3,000 tons of oilseeds a year. The company recently signed a contract for the delivery of equipment from Turkey.

**DATA:**

Export Prices as of February 03, 2015 (USD/ton, 0 percent VAT).

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Source: kazakh-zerno.kz