

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Voluntary Public

Date: 8/5/2015

GAIN Report Number: KZ1513

Kazakhstan - Republic of

Post: Astana

Kazakhstan Agricultural Update

Report Categories:

Agriculture in the News

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Report Highlights:

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. China, Kazakhstan Sign MOU on Customs Cooperation

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 July 31, 2015: U.S. Dollar/187.45 Tenge.

WTO:

Council of European Union Approves Kazakhstan's Accession to WTO: On June 22, 2015 documents in support of Kazakhstan's accession to the WTO were approved and submitted to the WTO General Council and on the same day the final meeting of the WTO working group took place in Geneva, at which the completion of negotiations on Kazakhstan's accession to the WTO was officially announced. The Council of the European Union, on behalf of the EU within the General Council of the World Trade Organization, approved Kazakhstan's accession on July 20, 2015. The WTO General Council met on July 27, 2015 in Geneva to consider Kazakhstan's accession to the organization. Kazakhstan's Protocol on Accession to the WTO must be ratified by the end of October. Kazakhstan will officially become the 162nd member of the WTO within 30 days from the date of ratification.

TRADE:

Nazarbayev Encourages Increase in Exports to Russia: Kazakhstani President, Nursultan Nazarbayev, recently noted that imports of agricultural products has reached \$4 billion a year. He noted further that this growth in imports represented a 45% increase in the last five years. Imported products include cheese, meat, poultry, sausages and butter. However, Nazarbayev stressed that all imported products can be produced in Kazakhstan and that there is also great potential in the processing sector of the economy. He added that in developing the meat and dairy industries in Kazakhstan, it is necessary to develop intensive exports to Russia, which currently imports over half a million tons of meat from Latin America.

Poultry from Ukraine and Russia Restricted: The Consumer Protection Committee announced a temporary restriction of poultry meat sales following recent detections of *Salmonella* pathogenic microflora in the following poultry products: broiler meat "Blagoyar" from JSC "Blagodarnenski" farm (Russia), broiler meat from "Mironovskaya" poultry farm (Ukraine), poultry meat and offal from "Nagaibakski" poultry farm (Russia), and broiler meat "Khorosheye Delo" from "Jubileinoe" farm (Russia). The relevant notification was sent to all EAEU-member countries.

Ukrainian Dairy Products Regain Access to Kazakh Market: Kazakhstan has agreed to restore access of Ukrainian dairy products to the Kazakh market, within the framework of Kazakhstan's negotiations on accession to the WTO. Reportedly, based on a protocol signed by Kazakhstan, as part

of multilateral negotiations, Kyiv will be entitled to reciprocal responsive measures in the event that Astana changes the trade regime for Ukrainian goods. In 2014, Ukraine's exports of milk and dairy products, eggs and natural honey to Kazakhstan grew 24.3% to \$55.46 million, but plummeted 59.7% to \$5.11 million in the first 4 months of this year.

GRAIN:

Forecasted Grain Harvest Unchanged: Kazakhstan's Ministry of Agriculture kept the grain harvest forecast for this year unchanged at 17 million tons. The Ministry expects that this year's harvest will not be lower than last year's harvest, although, they acknowledged that the outcome is dependent on arrangements during sowing and harvesting. Following completion of sowing, crop development was compounded by the soil state and heavy rains in Kazakhstan's northern, central and western regions. Precipitation in May was three times recent averages for the season, resulting in a lengthening of the cultivation period and an increased risk of exposure to adverse weather conditions during harvest. Meanwhile, the national weather forecast agency, Kazgidromet, reported that weather conditions expected during harvest in Kazakhstan this year are not expected to be favorable.

New Grain Storage Facility Planned for Kostanai Region: Akpan-Invest LLP announced plans to build a grain storage facility in the Sarykol District of the Kostanai Region. The cost of the project is estimated at 600 million tenge and Akpan-Invest plans to finance the project from its own funds. The total expected storage of the facility is 24,000 tons, however the first stage with an expected completion in September 2015, will have a storage capacity of 12,000 tons. The second stage, also with the capacity of 12,000 tons, will be brought into service in August-September 2016.

ANIMAL HEALTH:

Cause of Breeding Cattle Deaths Determined: During the period, June 24th to July 1, 2015, 228 head of breeding livestock died and an additional 250 head became sick in the Kyzylorda region. The Regional Veterinary Controls Department has blamed anaerobic dysentery and pasteurellosis for the outbreak. Additionally, anaerobic dysentery and pasteurellosis was cited as the cause of numerous deaths of goats in the Zhanakorgan district. Currently local farms are vaccinating goats and taking preventive measures.

Livestock Die in Regions Hit by Saiga Die-Off: Media recently reported on the deaths of livestock in the Zhangeldy district of the Kostanay Oblast, where fifty-five cows and sixteen horses died suddenly. Similar reports came from five other villages and farms in this district. Local citizens linked the deaths to the recent mass die-off of saiga antelopes in Kostanay Oblast, as the Zhangeldy district borders the state nature reserve where over 50,000 saiga antelopes recently died. In early June the Minister of Agriculture, Mamytbekov, denied any link between the cattle deaths and the saiga die-off. The Kostanay regional veterinary department also denied any link between the deaths. While the death toll of livestock continues to mount, veterinarians have promised to provide results of their laboratory analysis. Some believe the livestock have died because of the severe climate conditions and lack of feed. Livestock farms in Aktobe Oblast have also reported unusual numbers of livestock deaths. In a matter of days, thirty horses and twenty cows died in two districts. Local farmers say they have never lost so many animals at once. Though the cause of death has not been determined, the Aktobe Oblast Department of Agriculture bought 10,000 doses of vaccines against pasteurella.

PROJECTS:

KazAgro Commercial Operation Projects in 2015: According to a recent report from KazAgro, by the end of the year, 75 investment projects financed by KazAgro National Holding, worth 50 billion tenge, will start operating commercially. Last year, KazAgro brought 73 investment projects, worth 39.3 billion tenge, into operation to promote import substitution and export-oriented industries. During the period from 2007 to 2015, KazAgro approved 514 projects, for a total of 317.9 billion tenge, including 391 projects, for a total value of 228 billion tenge, that have gone into commercial operation. The Akmola region is the leader in the newly-started investment projects (62), followed by North Kazakhstan (44 projects), Almaty (42 projects), South Kazakhstan (38) and Kostanai (34). National Managing Holding KazAgro JSC, established in 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, Agrarian Credit Corporation JSC, Fund for Financial Support of Agricultural Sector JSC, JSC KazAgroGarant and JSC KazAgroMarketing.

Kostanai Dairy Factory Launched: A project, worth 1.2 billion tenge, was launched in the town of Rudny in the Kostanai region. The factory, owned by Leader-2010 LLP –a producer of alcohol and dairy products, is expected to employ 30 people.

Kazakh - China Joint Meat Production Project: A Kazakh-Chinese joint project for meat production was launched in the East-Kazakhstan region. The project will include the construction of a feedlot for 9,000 head, a feeding mill and five cattle farms for 30,000 head. The cost is estimated at \$25 million and the facility is to be built on the site of Batua LLP in the Urdzhar district of the East Kazakhstan region. The project is expected to be completed before 2020.

Ivolga Holding Launches Dairy Factory in Kostanai Region: Sadchikovskoye LLP, a subsidiary of Ivolga Holding LLP, recently announced the launch of a dairy factory in the Kostanai region. The facility is expected to produce 150 tons of kefir, sour cream and yogurt a month and the expected cost of the project is estimated at 210 million tenge. Ivolga Holding LLP, organized in 1992, specializes in crop growing, animal husbandry and agricultural processing. The company also owns a variety of agricultural machinery, oil storage facilities and filling stations.

EBRD Provides Loan to RG Brands: The European Bank for Reconstruction and Development (EBRD) approved a loan of \$49.2 million in Tenge equivalent to RG Brands LLP, a food and beverage producer based in Almaty, Kazakhstan. RG Brands plans to use the loan to improve its balance sheet, expand production and to purchase new equipment. RG Brands has borrowed a total of \$120 million tenge from the EBRD since 2008. Since the beginning of its operations in Kazakhstan 22 years ago, the EBRD has invested about \$7.2 billion in the country's economy.

Chinese Firm Plans Agrifood Investment in Kostanai Region: The Chinese investment company, Zhongfu Investment Groupm reportedly intends to invest \$500 million in the Kostanai region's agricultural sector. The project is to create an agrifood cluster in the region, including cultivation, processing and seed production of vegetable oil and flax. According to the Regional Governor, Nuraly Saduakasov, the cluster is to be established in the Kostanai-based industrial zone. A working group has been established to set a construction time frame, production volume, and the size of investment by the year. Saduakasov also noted that the region has overcome the shortage of vegetable oil in recent years

and exports approximately thirty percent of products. Kostanai region also has potential for expanding areas to cultivate oil-bearing plants and establish processing facilities. This year oilseeds occupy 360,000 hectares, 8% of the total spring sown area in the region.

Agromash Holding Starts Assembling New Holland Combine Harvesters in Kostanai: Agromash, part of the AllurGroup, announced the launch of an assembly line to manufacture New Holland combine harvesters. Agromash Holding, together with CNH Industrial, has started the production of New Holland TC 5080 and TC 9.505 combine harvesters that exhibit characteristics such as low fuel consumption and grain quality protection system.

BANKING:

Loan Agreement with World Bank to Foster Productive Innovation Project:

The government of Kazakhstan signed an \$88 million loan agreement with the World Bank to foster productive innovation in Kazakhstan. The five-year project will be implemented by the Ministry of Education and Science of the Republic of Kazakhstan to promote high-quality and nationally relevant research and commercialization of technologies. The total project cost is \$110 million, including \$88 million financing from the World Bank and \$22 million co-financing from the Government of Kazakhstan. The project will be launched once it is ratified by the Parliament of the Republic of Kazakhstan. The project is the first in a series under the Partnership Framework Arrangement signed in May 2014 between the World Bank and the Government of Kazakhstan. It has been designed to contribute to improving critical areas such as capacity for innovation, quality of scientific research institutes, company spending on research and development, and university-industry collaboration in research and development. The loan will finance competitive grants to scientist groups developing commercially viable high-quality research and ideas; and to Kazakh research institutes, design bureaus, and engineering laboratories upgrading their test sites as members of productive technology consortia in agriculture, extractive industries, manufacturing, as well as inclusive innovation consortia in the social sector.

Sberbank of Russia Invests in Kazakh Agricultural Development: Sberbank of Russia allocated \$500 million to support development of the agro-industrial complex of Kazakhstan.

This is the largest portfolio among all foreign investors in Kazakhstan, with the bank investing in all sectors of Kazakhstan's agriculture. However, the large growth of the loan portfolio is not expected in the current year because of the current economic environment. Reportedly, future growth will take into account the risks, climatic characteristics of the region and the Republic according to Sberbank officials.

EBRD Sees Record Investment as Kazakhstan Diversifies Economy: The European Bank for Reconstruction and Development recently noted that its lending on projects in Kazakhstan are set to hit a record high of around \$1 billion this year as the country races to diversify its oil-based economy. Kazakhstan is trying to find new sources of growth in a region that has been hard hit by last year's fall in oil prices and recession in Russia. Kazakh President Nursultan Nazarbayev has also ordered the government to develop "green energy" projects, agribusiness and small and medium-sized businesses. Kazakhstan's gross domestic product growth slowed to 4.3 percent last year from 6.0 percent in 2013. The EBRD forecasts the economy to expand by 1.5 percent this year. According to EBRD's President, Suma Chakrabarti, the bank had ramped up its investment before Kazakhstan's main trading partner, Russia, was hit by Western sanctions over Ukraine and low oil prices. Last year the EBRD financed 19 projects worth a total \$700 million in Kazakhstan, an 80 percent increase on the year before.

Deutsche Bank AG to Provide Microloans in Kazakhstan's Rural Areas: Deutsche Bank AG intends to provide \$5 million in microfinance loans to entrepreneurs in rural areas in Kazakhstan according to the Bank's Executive Director, Peter Tills. This could amount to 15,000 microloans, intended primarily for women in rural areas for a period of six to twelve months.

Non-Collateral Lending Program for Agriculture Microcredit Organizations: Agriculture Financial Support Fund JSC (AFSF) launched a program for non-collateral lending to agriculture microcredit organizations (MCO), the Fund said in a press release. The value of loans to MCO's will vary from 10 million tenge to 350 million tenge. The MCO's will offer microloans of up to 3 million tenge to individual agricultural producers and up to 8,000 monthly specified rates or 15.9 million tenge to agricultural companies. One monthly specified rate equals 1,982 tenge. The interest rates will be at 12% per annum for non-collateral loans, with the annual effective interest rate of below 12.6%, and at 9.5% per annum for collateral loans, with the annual effective interest rate of below 10.1%. Agriculture Financial Support Fund JSC (AFSF) is part of the National Managing Holding KazAgro JSC. The Fund offers microfinance services to agricultural entrepreneurs.

INFRASTRUCTURE:

Kazakhstan Completes China-Europe Road: Kazakhstan is wrapping up the construction of the Western Europe - Western China highway section running through its territory and passes the baton to Russia and Central Asian countries. The highway section through Kazakhstan is 2,700-km long and businesses have already begun to emerge along the way. The total length of the Western China-Western Europe Transportation Corridor is 8,445 km. The highway will start in St Petersburg (Russia), go through the Russian cities of Moscow, Nizhny Novgorod, Kazan and Orenburg, then through Kazakhstan's Aktobe, Kyzylorda, Shymkent, Taraz, Kordai, Almaty and Horgos. The road also connects Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan. In China it is to run through Urumqi, Lanzhou and end at Lianyungang. The Russian section of the Western Europe - Western China International Transit Corridor is expected to be completed by 2020.

East Kazakhstan Railroad to link Russia and China: A railroad linking Russia and China will be built in the East Kazakhstan Region, to serve as a bridge between China and Russia to support development of trade relations. To this end, a project for construction of a rail line between Zyryanovsk and Maikapchagai [both in the East Kazakhstan Region] has been developed. The railroad will be 461 km long, with a cost projection of 1.9 billion Euro, and a concession for a period of 30 years.

OTHER:

Agricultural Contribution to Kazakhstan's Economy Still Meager: The President of Kazakhstan, Nursultan Nazarbayev, recently noted that the contribution of the agricultural sector to the Kazakh economy is still meager in spite of significant investments. The President noted further that there is hardly any return from subsidies in this sector. Out of 50 billion tenge allocated in subsidies in the agricultural sector, tax revenues came only to 27%. He further urged investors to be more actively involved in investing in the agricultural sector of the country.

China, Kazakhstan Sign MOU on Customs Cooperation: China and Kazakhstan signed a memorandum of understanding on cooperation between the customs departments of the two countries. The signing took place in Xi'an, capital of northwest China's Shaanxi Province, at the first high-level

